

City of Santa Barbara California



Redevelopment Agency

A Component Unit of the City of Santa Barbara

Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2009

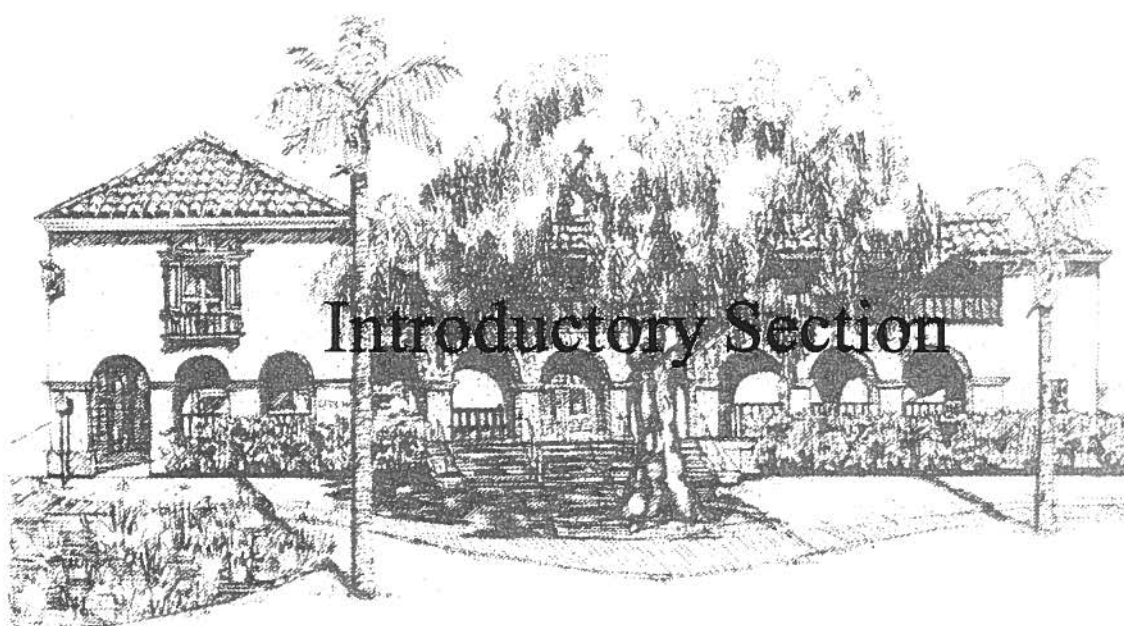
**Redevelopment Agency
of the City of
Santa Barbara, California**

A Component Unit of the City of Santa Barbara

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FISCAL YEAR ENDED JUNE 30, 2009

ROBERT SAMARIO, INTERIM AGENCY TREASURER



REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Fiscal year ended June 30, 2009

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Fiscal year ended June 30, 2009

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City of Santa Barbara

Finance Department

www.SantaBarbaraCA.gov

December 3, 2009

The Honorable Chairperson and the Members of the Redevelopment Agency Board:

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) of the Redevelopment Agency of the City of Santa Barbara (Agency) for the fiscal year ended June 30, 2009. The report was prepared by the Finance Department of the City of Santa Barbara on behalf of the Agency and responsibility for the accuracy of the data, the completeness and fairness of the presentation, and all disclosures, rests with the Agency. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Agency.

This report consists of management's representations concerning the finances of the Agency. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the Agency's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Agency's financial statements in conformity with Generally Accepted Accounting Principles (GAAP).

The CAFR has been prepared using the financial reporting requirements as prescribed by Government Accounting Standards Board (GASB) Statement No. 34. GASB 34 requires that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found beginning on page 3.

ECONOMIC CONDITION AND OUTLOOK

The primary economic factor affecting the Redevelopment Agency is the real estate market, which has a direct bearing on the level of property tax increment revenues generated. The strong real estate market from 2000 through 2005 resulted in continued and substantial growth in revenues and, thus, allowed for the funding of important projects and activities during that period. The local real estate market has been significantly impacted this year by the prolonged nation-wide housing slump and growth in property taxes is expected to slow considerably in the next year. However, despite the difficult state of the real estate market, and the decrease in the median housing prices, we may not necessarily see a significant drop in the property tax base. Because of Proposition 13 that was enacted in the 1970s, increases in assessed property values are limited to 2% per year until a property is sold or major improvements result in a reassessment. Therefore, even though prices are declining, the effect on property taxes is uncertain. Accordingly, the Agency's budgeted tax increment revenues assume a modest 4% growth from the prior year's preliminary year-end estimates, bringing the budgeted total tax increment revenue to approximately \$20.4 million.

The State of California has been experiencing severe budget difficulties over the past two years due to a significant drop in many key revenues. The Governor and the legislature have not been able to fix the State's structural budget deficit and have relied on several one-time measures to balance the budget, including raiding local governments on three separate occasions over the last 20 years. Given the magnitude of the current problem, State's fiscal year 2009 budget once again proposed to take money from redevelopment agencies statewide in an effort to help balance the budget. However, the California Redevelopment Association sued the State and prevailed in court to stop the take away. Despite this loss, the State's budget current fiscal year 2010 includes taking over \$2 billion from

redevelopment agencies statewide. For the City of Santa Barbara Redevelopment Agency, this amounts to a loss of \$6.8 million in fiscal year 2010 and an additional \$1.5 million in fiscal year 2011. If the State is successful in diverting this money from the Agency, it will have a significant impact on the Agency's ability to fund important projects. The California Redevelopment Association has filed another lawsuit in response to the proposed takings, but a resolution of that lawsuit will take months, if not years.

MAJOR INITIATIVES

FIRE STATION #1 RENOVATION (2003A BOND)

Fire Station #1 is located at 121 West Carrillo Street in the downtown area of Santa Barbara. Project construction began in June 2008, and is scheduled to be complete by September 2009. Fire Station #1 was determined to be structurally and functionally inadequate, undersized for the current needs of the department, containing dilapidated building systems, and not current with certain Building Code or Americans with Disabilities Act (ADA) requirements. The remodel will include a thorough renovation of the interior of the fire station including a seismic retrofit, an extensive remodel of the second floor crew's quarters, partial remodel of the first floor office area, and replacement of all gas, water, sewer and electrical services. Highlights of the Project include an emergency generator, structural caissons and steel moment frame connection modifications, concrete shear walls, tile roofing, LEED certified building materials, an elevator, windows, kitchen, ADA-compliant restrooms, HVAC (heating, ventilating and air conditioning), hazardous material abatement, electrical, plumbing, and temporary trailer accommodations.

The Fire Station No. 1 Remodel Project was included in the Redevelopment Agency's 2003 Tax Allocation Bond issuance at a funding level of \$3.3 million. When a Feasibility Study indicated a total project cost of \$8.5 million, the project's scope was reduced to focus on the structural adequacy and living conditions in Fire Station #1 and to reduce the funding gap. An additional \$1 million from the same fund was appropriated in the Redevelopment Agency's Fiscal Year 2007 budget. On July 24, 2007, Council and the RDA Board received a status report and authorized by the Public Works Director to execute a contract for final design, and approved a funding strategy that included an additional appropriation of \$1.26 million from RDA's Project Contingency Account. Another \$1.1 million was appropriated at the time of the awarding of the construction contracts, bringing the total allocation to \$6.7 million.

At the April 22, 2008 Council and Redevelopment Agency meeting, McGillivray Construction, Incorporated, was awarded the construction contract in their low bid amount of \$4,070,559. Kruger Bensen Ziemer Architects, Incorporated, were awarded the construction support contract in the amount of \$200,800 with Leadership in Energy and Environmental Design (LEED) providing administrative services. AG Mechanical, Incorporated (AG Mechanical), was awarded a contract to provide Enhanced LEED Commissioning in the amount of \$72,800. The Enhanced LEED Commissioning is an independent third party review of the LEED process to ensure the project objectives meet the goals of the United States Green Building Council. A purchase order for materials testing and special inspection services was issued to Pacific Materials in the amount of \$33,100.

On May 19, 2009, the Agency Board approved an additional \$260,400 for change orders: a vehicle exhaust system and replacement of overhead doors. Fire personnel were able to move into the upstairs on June 1, 2009. The total construction cost is \$4,737,559. This project was completed as of the date of this report at a cost of \$6,974,209.

FIRE STATION EMERGENCY OPERATIONS CENTER (311 CAPITAL)

The City currently has an Emergency Operations Center (EOC) at the Police Department headquarters; however, the size (880 square feet) of the facility is insufficient for coordination of a large disaster as has been witnessed from two major wildfires over the past year. The current plan for the project has many of the essential infrastructure elements and characteristics for an EOC; such as an emergency generator, an electronic communication hub, sufficient space for EOC staff, and a centralized location at the Fire Station #1 complex. In addition, the facility meets the seismic occupancy requirements as an "Essential Facility." Relocating the EOC to Fire Station No. 1 will provide a 1,650 square-foot space and can be configured to be utilized as a dual purpose classroom and EOC. The room has been designed to accommodate 42 occupants in a multitude of configurations, based on need. The design incorporates the use of flexible lighting options, visual display boards, telecommunications, and off-the-shelf audio and video equipment. On February 29, 2009, the Agency Board authorized the expenditure of \$303,595 from the

RDA's Fire Station No. 1 Emergency Operation Center (EOC) Account to fund the construction of an EOC as part of the Fire Station No. 1 Seismic Renovation Project. The breakdown of the expenditures is \$260,000 for construction and \$43,595 for equipment and services to complete the EOC.

PLAZA VERA CRUZ (2003A BOND)

Plaza Vera Cruz became the City's first playground in 1908. In 2000, the Agency Board appropriated \$78,000 to complete basic upgrades to the park. The project scope was expanded January 2005 to include infrastructure improvements, and was funded at a level of \$340,000. Features of the new design include ADA-compliant pathways and enhancements to park lighting, landscaping, seating and other amenities. Construction for this project began in April 2008 and was completed in early 2009.

EL JARDIN DE LAS GRANADAS (2003A BOND)

The Redevelopment Agency owns a parcel adjacent to the Casas Las Granadas Workforce Housing project and the Granada Garage. The park design was developed by Katie O'Reilly Roger and Peikert Group Architects, who also designed the pedestrian walkway and HVAC relocation beside the nearby Coffee Cat building. The project included a new ADA accessibility ramp to Casas Las Granadas, small lawn areas terraced with low sandstone walls, installation bases for temporary public art, coast live oak trees, new lighting, and drought tolerant, irrigated plantings. Currently, Sullivan-Goss, a nearby art gallery, has a temporary exhibit of four metal sculptures. In the future, the County Arts Commission will curate other temporary exhibits as part of their Art in Public Places program. A ribbon cutting ceremony took place on February 5, 2009 upon the completion of the project.

SPENCER ADAMS PARKING LOT IMPROVEMENTS (2003A BOND)

This parking facility serves the heavily-used Spencer Adams Lawn Bowls and needed to be brought up to City standards. Improvements included additional landscaping and pedestrian-oriented improvements that will benefit the users of the Lawn Bowls, Club, the Louise Lowry Davis Senior Center, and the public. The project was led by the City's Parks and Recreation Department with the construction contract being awarded to Granite Construction. Construction began in March and was completed in May 2009. Of the total project costs, the Redevelopment Agency provided \$186,000, of which \$109,000 was expended.

WEST BEACH PEDESTRIAN IMPROVEMENTS (2003A BOND)

The goal of the West Beach Pedestrian Improvement Project is to enhance the pedestrian linkage between Stearns Wharf and the Harbor. In March 2006, the Agency approved the conceptual design of Phase I of the project. Phase I and II were combined and consist of a number of capital improvements from Stearns Wharf to Los Baños and Marina 4. These improvements include: construction of enhanced pedestrian crossings and sidewalk extensions along Cabrillo Boulevard at Castillo Street, Bath Street, Ambassador Park and Chapala Street; at these same intersections, design and construction of pedestrian plazas along the beach-side of Cabrillo Boulevard with enhanced paving, new landscaping and an art and storytelling component that conveys the special character of the Waterfront area; replacement of the existing sidewalk on the south-side of Cabrillo Boulevard from the wharf to Castillo Street; an expanded walkway and new lighting between Los Baños and the wading pool; and improved signage to assist in orientation and safety. The project received final approval by the Architectural Board of Review on January 6, 2009. The Historic Landmarks Commission approved the project on January 7, 2009. On January 27, 2009, Richard Irvine and Raphael Perea de la Cabada were awarded a contract in the amount of \$164,500 for design, fabrication and construction consulting of the public art portion of the project. On May 12, 2009, Elevation General Engineering was awarded the construction contract in the amount of \$1,895,142, Fugro West was awarded the materials testing purchase order for \$13,500 and Penfield and Smith was awarded the construction support contract for \$30,000. As part of the Fiscal Year 2007 budget, the RDA appropriated an additional \$1.25 million to the existing \$2 million appropriation, and an additional \$250,000 as part of the Fiscal Year 2009 budget, for a total funding amount \$3.5 million. Construction began in early June 2009, and is scheduled to be completed in late January 2010.

AGENCY'S AFFORDABLE HOUSING PROGRAM

512-518 BATH STREET (BRADLEY PROPERTY)

In June, 2008, the Agency provided the City's Housing Authority with a loan of \$4,800,000 for the acquisition of property at 512-518 Bath Street. The Housing Authority is land-banking the site for future affordable housing development – a supportive housing project for the homeless and downtown workers of approximately 50 units. As the property abuts Mission Creek, the project would also include a creek restoration component. Preliminary plans are being developed, and an application for tax credits is expected to be submitted next year. Until the new construction is ready to commence (early 2011), the Housing Authority will operate an existing 10-unit residential structure on the site as affordable rental housing.

617 GARDEN STREET (BUILDING HOPE)

The Mental Health Association (MHA) in Santa Barbara County has nearly completed construction of a large, mixed-use project directly across the street from the Agency's Garden Street offices. The project provides 50 units of affordable rental housing for a combination of low income MHA clients and downtown workers and one on-site manager's unit. The project also features administrative office space and program space for MHA and office space for government or non-profit use. The Agency contributed land (a former parking lot for employees) to the project and has disbursed the \$5.1 million it committed to the project, in addition to the \$385,000 in state HELP funds the Agency spent for predevelopment. The project's residential units are completed and fully occupied; the subterranean parking and office space areas are expected to be completed by the end of calendar year 2009.

21 EAST ANAPAMU STREET (CASAS LAS GRANADAS)

Construction was completed last year on this 12-unit project for downtown workers, which is now fully occupied. The Agency selected Peoples' Self-Help Housing Corporation (Peoples') through a Request for Proposals process to develop this affordable housing project on Agency-owned land directly adjacent to the new Granada Garage parking structure. Peoples' is a large nonprofit housing organization based in San Luis Obispo (with its Santa Barbara office located on the ground floor of the nearby Victoria Hotel – a single-room-occupancy hotel Peoples' preserved for the homeless).

For Casas las Granadas, the Agency leased the site to Peoples' at a nominal rate and provided a \$60,000 predevelopment grant. Agency staff secured City HOME funds for the project in the form of a \$90,000 predevelopment loan and \$1,581,000 permanent loan. The Agency also paid for extensive contaminated soil removal on site. Numerous physical improvements to adjacent public open space and walkways were completed in 2009 (see description of Jardin las Granadas above).

416-424 COTA STREET / 517 OLIVE STREET (ARTISAN COURT)

The Agency provided the City's Housing Authority with a loan of \$2,000,000 for the acquisition of property at 416-424 East Cota Street and 517 Olive Street that is currently occupied by Haagen Printing. The Housing Authority is land-banking the site for future affordable housing development. The site is relatively large (40,000 sq ft) and is improved with two industrial buildings (totaling 20,850 square feet). The completion of predevelopment is expected to coincide with termination of two commercial leases on the property. The property is zoned Commercial Manufacturing (CM) which allows for residential development to R-4 standards under the City's pyramid zoning.

Plans have been approved for a supportive housing project of 55 units that will house low income downtown workers, aging foster youth, and the homeless. The Housing Authority has submitted an application for tax credits in the amount of \$11.5 million and has requested an additional \$3.2 million from the Agency and City for the project. Construction is expected to start in Fiscal Year 2010.

OTHER INFORMATION

Component Unit Reporting

Under reporting requirements prescribed by generally accepted accounting principles adopted by the Governmental Accounting Standards Board, the Agency's results of operations are also reported in the City of Santa Barbara's CAFR. This treatment is due to the requirement that municipal organizations include in one report all operations controlled by the same governing body. Specific interpretation for redevelopment agencies requires their inclusion

in the City's CAFR. No express or implied assumption of any of the Agency's liabilities by the City, either at present or in the future, is made by the inclusion of the Agency's financial results in the City's CAFR. The Agency remains separate for all legal purposes. Accordingly, the accompanying basic financial statements are issued as a separate component unit report of the Agency.

Internal Controls

The Agency's management is responsible for establishing and maintaining a system of internal controls designed to ensure that the Agency's assets are protected from loss, theft or misuse. The internal controls must also ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. The Agency's system of internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. We believe that the Agency's system of internal accounting controls adequately safeguards assets and provides reasonable assurance as to the proper recording of financial transactions. The Agency's internal controls are subject to periodic evaluation by the Agency's management.


Independent Audit

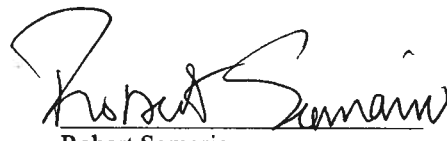
The City requires an annual audit of the financial statements of the Agency by an independent certified public accountant. The Agency is in compliance with this requirement and the independent auditor's report has been included in this report on page 1 at the beginning of the financial section.

Acknowledgments

The preparation of this CAFR could not have been accomplished without the hard work and team effort of the City's Finance Department. Special recognition and thanks are due to the entire staff for their efficient and dedicated efforts.

Respectfully Submitted,


James L. Armstrong
Executive Director and Secretary


Robert Samario
Interim Agency Treasurer

**REDEVELOPMENT AGENCY
OF THE
CITY OF SANTA BARBARA**

Directory of Agency Officials

June 30, 2009

Marty Blum
Chairperson

Grant R. House
Member

Helene Schneider
Member

Roger L. Horton
Member

Das Williams
Member

Iya G. Falcone
Member

Dale Francisco
Member

James L. Armstrong
Executive Director and Secretary

Paul A. Casey
Deputy Director

Stephen P. Wiley
Agency Counsel

Robert Samario
Interim Agency Treasurer

Brian Bosse
Housing & Redevelopment Manager

Financial Section

Financial Section

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Redevelopment Agency of the City of Santa Barbara
Santa Barbara, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Redevelopment Agency of the City of Santa Barbara (Agency), a component unit of the City of Santa Barbara, California (City), as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Subsequent to the basic financial statements date of June 30, 2009 and the year then ended, the State of California (State) has borrowed and proposed taking other funds from local governments including the Agency. These actions by the State include:

- 8% of Property Taxes borrowed -- to be repaid in 3 years
- Redevelopment Agency funds -- proposed to be taken for fiscal year 2010

These above amounts are very significant to the local governments and may affect their ongoing operations. Certain lawsuits are in process to stop such State actions. For more detailed information, see Note 9 attached in the Notes to Basic Financial Statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

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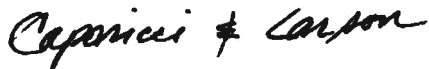
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To the Board of Directors
of the Redevelopment Agency of the City of Santa Barbara
Santa Barbara, California
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis and budgetary comparison information, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The Introductory and Statistical Sections, and Annual Program Report/Work Program sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Irvine, California
December 3, 2009

Redevelopment Agency of the City of Santa Barbara

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

This section of the Comprehensive Annual Financial Report of the Redevelopment Agency of the City of Santa Barbara presents an overview of the Agency's financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have included in our letter of transmittal, which can be found on pages iii-vii of this report.

FINANCIAL HIGHLIGHTS

- Total assets of the Agency were \$192.5 million at June 30, 2009, an increase of approximately \$8.9 million from the prior year.
- Net assets (assets over liabilities) of the Agency at June 30, 2009 totaled \$124.6 million, an increase of \$13.6 million from the prior year. Of the total net assets, approximately \$14 million is unrestricted and, thus, available to meet the Agency's ongoing obligations to citizens and creditors.
- Revenues of the Agency for the year ended June 30, 2009 totaled \$23.1 million and expenses totaled \$9.5 million.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Redevelopment Agency of the City of Santa Barbara's basic financial statements. The Redevelopment Agency's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to present financial information about the Agency as a whole, in a manner similar to the private sector, including the use of accrual-based accounting to recognize revenues and expenses. Government activities typically include those traditionally associated with local government, such as public safety (fire and police), community development, public works, library, parks and recreation, and general government (administrative) functions. However, the activities of redevelopment agencies, which are governed by State Law, primarily include capital improvements designed to eliminate blight in the community, financed primarily from the sale of bonds. The debt service costs associated with the bonds are funded from the incremental property taxes ("tax increment") generated from the improvements made.

The Statement of Net Assets presents all Agency assets, including capital assets, and all related liabilities, including long-term debt obligations. The difference between total assets and total liabilities is presented as "Net Assets", which serves as a measure of the financial health of the Agency. Over time, an increase in net assets generally indicates that the financial health of the Agency is improving. The Statement of Activities provides the details of how the Agency's net assets changed during the fiscal year. Decreases in net assets are presented as "Expenses"; increases in net assets are presented as "Program Revenues" or "General Revenues".

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental in nature.

Redevelopment Agency of the City of Santa Barbara

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

The Agency adopts an annual appropriated budget for its General and Special Revenue Funds. A budgetary comparison statement has been provided for both funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 and 16 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 through 28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Agency has presented its financial statements under the reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34. The following includes a comparative analysis between current year and prior year results of operations and year-end balances.

Redevelopment Agency of the City of Santa Barbara

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2009

Statement of Net Assets

Table 1 below provides a summary of the Statement of Net Assets as of June 30, 2009 and 2008, which can also be found on page 12 of this report.

Table 1 Redevelopment Agency of the City of Santa Barbara Summary of Net Assets As of June 30, 2009 and 2008		
	2009	2008
Current and other assets	\$ 101,290,008	\$ 98,656,978
Capital assets	91,243,846	84,945,558
Total assets	<u>192,533,854</u>	<u>183,602,536</u>
Current liabilities	2,298,221	1,771,682
Long-term liabilities	65,646,282	70,819,410
Total Liabilities	<u>67,944,503</u>	<u>72,591,092</u>
Net assets:		
Invested in capital assets, net of related debt	53,141,953	46,422,312
Restricted	57,472,302	49,705,729
Unrestricted	13,975,096	14,883,403
Total Net Assets	<u>\$ 124,589,351</u>	<u>\$ 111,011,444</u>

As of June 30, 2009, assets for the Agency totaled \$192.5 million, an increase of approximately \$8.9 million from the prior year. Capital assets increased \$6.3 million with approximately \$8.1 million spent on various capital projects in the RDA's project area, reduced by slightly more than \$2 million in depreciation for the year. Major capital projects include renovation and remodeling of Fire Station #1, construction of a new Emergency Operations Center for the City at Fire Station #1, sidewalks and pedestrian improvements, renovation of the Carrillo Recreation Center, and other projects. Cash and investments increased from \$21.2 million in fiscal year 2008 to \$28.1 million in fiscal year 2009; however, restricted cash with fiscal agents decreased \$4.7 million from \$31.3 million to \$26.6 million. This \$6.9 million increase in cash and investments is the result of a higher than expected growth in tax increment revenues for the year. Restricted cash with fiscal agents decreased \$4.7 million due to capital project expenditures in excess of investment earnings in the bond capital funds during the year.

Liabilities at year-end totaled approximately \$67.9 million, a \$4.6 million decrease from the prior year. The agency paid down \$5.2 million of principal on outstanding tax allocation bonds during the year; however, accounts payable increased almost \$620,000 at year-end, resulting in a net \$4.6 million decrease.

Net assets as of June 30, 2009, totaled approximately \$125 million. Of this total, \$53.1 million is invested in capital assets (net of related debt); \$57.5 million is restricted, primarily for low and moderate-income housing projects; and approximately \$14 million is unrestricted. In total, net assets increased by approximately \$13.6 million. Tax increment revenues exceeded expenses by \$10.5 million while investment earnings, program revenues, and other revenues totaled approximately \$3 million.

Statement of Activities

Table 2 provides a summary of the Statement of Activities for the Agency for the fiscal years ended June 30, 2009 and 2008. As shown in Table 2, revenues for the year ended June 30, 2009, totaled \$23 million, an increase of \$1.1 million from 2008. Of the total revenues, \$20 million (87%) consists of property tax increment revenues. Property

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tax increment revenues are generally the largest and primary source of revenues for redevelopment agencies due to the nature and financing mechanism established by state law. Tax increment revenues in fiscal year 2009 grew by approximately \$2 million (10.8%) from prior year.

Table 2 Redevelopment Agency of the City of Santa Barbara Statement of Activities Fiscal Years Ended June 30, 2009 and 2008		
	2009	2008
General Revenues:		
Property tax increment	\$ 20,037,894	\$ 18,080,961
Interest revenue	2,147,301	3,116,928
Program revenue	591,951	325,779
Other revenue	331,544	478,985
Total revenues	<u>23,108,690</u>	<u>22,002,653</u>
Expenses:		
General government	2,412,836	3,108,640
Housing	1,517,826	1,382,841
Debt service - interest	3,049,148	3,343,935
Capital improvements	2,550,973	2,555,793
Total expenses	<u>9,530,783</u>	<u>10,391,209</u>
 Increase in net assets	 13,577,907	 11,611,444
 Net Assets, beginning of year	 <u>111,011,444</u>	 <u>99,400,000</u>
Net Assets, end of year	<u><u>\$ 124,589,351</u></u>	<u><u>\$ 111,011,444</u></u>

The other significant revenue is from interest earned on investments, which totaled \$2.1 million in fiscal year 2009. Interest earnings are derived from investments, including invested bond proceeds held by fiscal agents. In fiscal year 2009, interest earnings fell by \$970,000 (31%) due to a \$4.7 million decline in investments with fiscal agents as well as a general decline in interest rates. In addition, accounting standards require an adjustment to the Agency's portfolio to bring it to fair market value, which resulted in a \$39,206 increase in interest income.

Program Revenue includes \$471,000 of interest on RDA loans receivable from housing activities and \$121,000 interest on cash & investments. Interest on the housing loans is not affected by the interest rate environment, but by loans outstanding and the interest rate contracted when the loans were made.

Expenses totaled \$9.5 million, an \$860,000 decrease from the prior year. General Government expenses decreased by \$696,000 due to an \$829,000 reduction in community grants, offset by an increase of \$104,000 for hazardous materials and soil remediation projects. Capital improvements expense, which includes \$2 million of depreciation and approximately \$550,000 of miscellaneous non-capital, was consistent with the prior year amount

ANALYSIS OF FUND FINANCIAL STATEMENTS

Individual fund financial statements are prepared using the modified accrual basis of accounting, where the focus is short-term (i.e., "spendable") financial resources. As such, the balance sheets of governmental funds present only *current* assets and liabilities. As such, fund balance (assets over liabilities) represents amounts available to fund

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current operations. Unlike the balance sheets of the Government-wide Statements, the fund statements do not include capital assets or long-term debt. Table 3 summarizes the balance sheet of all governmental funds as of June 30, 2009, and June 30, 2008, presented on a modified accrual basis.

<p style="text-align: center;">Table 3 Redevelopment Agency of the City of Santa Barbara Combined Balance Sheet As of June 30, 2009 and 2008</p>		
	2009	2008
Assets		
Cash and investments	\$ 28,065,155	\$ 21,189,720
Accrued interest receivable	88,443	146,905
Loans receivable	44,919,652	44,273,405
Cash and investments with fiscal agents	26,620,735	31,290,196
Total Assets	<u>99,693,985</u>	<u>96,900,226</u>
Liabilities		
Accounts payable	1,369,298	752,572
Deposits	14,000	14,000
Interest payable	167,269	209,120
Total Liabilities	<u>1,550,567</u>	<u>975,692</u>
Fund Balance		
Reserved for:		
Encumbrances	2,931,049	7,179,765
Non-current assets	44,919,652	44,273,405
Redevelopment activities	41,800,637	39,274,651
Low and moderate income housing	8,492,080	5,196,713
Total Fund Balance	<u>98,143,418</u>	<u>95,924,534</u>
Total Liabilities and Fund Balance	<u>\$ 99,693,985</u>	<u>\$ 96,900,226</u>

Assets at June 30, 2009, totaled approximately \$99.7 million. The largest asset category, at \$44.9 million, is loans receivable. Loans receivable, which increased \$646,000 from prior year, primarily include loans provided to low and moderate-income households from the 20% of tax increment set aside for housing projects pursuant to State law. These loans also include those made to non-profit developers for purposes of increasing the number of affordable housing units in the City. The Agency periodically has loaned money to qualified non-profit agencies, including \$3.5 million to the Santa Barbara Mental Health Association (MHA) for construction of a 50-unit housing facility for low-income MHA clients and downtown workers. As these loans are repayable over more than one year and therefore are not currently available for appropriation, a corresponding amount of fund balance is "Reserved for non-current assets" as shown in Table 3.

Cash and investments (including cash with fiscal agents) totaled \$54.7 million. The majority of the cash and investments with fiscal agents represent bond proceeds which will be used for redevelopment projects. The balance represents funds held in reserve pursuant to related bond indenture provisions for the benefit of bondholders. Cash and investments with fiscal agents decreased by approximately \$4.7 million from the prior year as these funds were disbursed for the related capital projects and loans. This decrease was offset by a net increase of \$6.9 million in pooled cash and investments (i.e. not held by fiscal agents). Approximately \$1.4 million of the increase was due to a budgeted ERAF payment to the State of California that was not made because the courts ruled that it was

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unconstitutional for the State to take the money from the redevelopment agencies throughout the State.

Total liabilities increased by approximately \$575,000. The increase was almost entirely due to the timing of expenditures at year end. Expenditures incurred but not paid until fiscal year 2010 were recorded as accounts payable at June 30, 2009.

Overall, fund balance increased \$2.2 million, from \$95.9 million to \$ 98.1 million at June 30, 2009 with varying differences among the categories of fund balance. The \$646,000 increase in reserve for non-current assets is due to the net increase in long-term loans receivable. The \$2.5 million increase in the reserve for redevelopment activities is the result of the accumulation of fund balance that is available for future redevelopment activities at year-end. Low and Moderate Housing (Low Mod) reserves increased \$3.2 million due to year-end surplus of revenues over expenditures in the Low and Moderate Income Housing Fund. Fund Balance reserved for encumbrances and carryovers increased \$4.2 million from the prior year. This is primarily due to the timing of expenditures for budgeted projects that were encumbered or budgeted during the year but not expended at year end.

GENERAL FUND HIGHLIGHTS

Table 4 recaps the budgeted and actual results of operations of the Agency's General Fund for the fiscal year ended June 30, 2009, including the originally adopted and final amended budget amounts. The adopted budget for revenues remained unchanged during the year at \$14.7 million. This included a \$14.4 million estimate for property tax increment revenues and \$253,000 for interest revenue. Actual revenues for the year were \$16.7 million, resulting in a variance of \$2 million. Because property tax revenues represent 98% of total budgeted revenues, amounts are budgeted conservatively and thus generally show a favorable variance at year-end. The \$276,000 variance in interest revenue is mostly due to conservative budgeting in anticipation of a decreased yield on the Agency's investment portfolio.

Expenditures (excluding transfers) were budgeted at \$2.5 million on July 1, 2008, with the final budget increasing to \$5.8 million. The additional appropriations of \$3.3 million consist of the carryover of appropriations from the prior year's budget as well as additional appropriations approved by the Board during the year.

As shown in Table 4, \$2.4 million was actually expended during the year, resulting in a favorable expenditure variance of approximately \$3.4 million. Of this total, \$3.1 million of the variance was in the "Projects" category, which is almost entirely the result of two items. First, the Agency budgeted for a payment to the State of \$1.4 million in connection with a State's attempt to take a total of \$1.7 billion statewide from redevelopment agencies. The California Redevelopment Association, representing California redevelopment agencies, prevailed in a lawsuit against the State and, therefore, the \$1.4 million was left unspent at year-end. Secondly, the Agency budgeted \$1.5 million for a grant to a local non-profit for improvements to a local theater venue. The project was delayed, leaving the full \$1.5 million unspent at year-end.

The \$15.3 million in transfers out includes \$7.5 million transferred to debt service funds to cover principal and interest payments on outstanding bonds as well as \$7.8 million in transfers to the RDA capital projects fund.

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**Table 4
Redevelopment Agency of the City of Santa Barbara
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Fiscal Year Ended June 30, 2009**

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property tax increment	\$ 14,414,400	\$ 14,414,400	\$ 16,030,315	\$ 1,615,915
Interest revenue	253,000	253,000	529,160	276,160
Other revenue	1,389	1,389	110,326	108,937
Total Revenues	14,668,789	14,668,789	16,669,801	2,001,012
Expenditures				
Supplies and services	1,747,909	1,749,895	1,586,244	163,651
Projects	656,350	3,992,240	812,200	3,180,040
Other	91,500	64,029	14,392	49,637
Total Expenditures	2,495,759	5,806,164	2,412,836	3,393,328
Excess of revenues over expenditures	12,173,030	8,862,625	14,256,965	5,394,340
Other Financing Uses				
Transfer to other government	-	-	(3,207)	(3,207)
Transfers out	(12,173,030)	(15,303,657)	(15,269,184)	34,473
Total other financing uses	(12,173,030)	(15,303,657)	(15,272,391)	31,266
Net change in fund balance	-	(6,441,032)	(1,015,426)	5,425,606
Fund balance, beginning	8,132,124	8,132,124	8,132,124	-
Fund balance, ending	\$ 8,132,124	\$ 1,691,092	\$ 7,116,698	\$ 5,425,606

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Capital assets include those acquired or constructed by the Agency in connection with redevelopment projects. Table 5 below provides a summary of capital assets, net of accumulated depreciation, as of June 30, 2009 and 2008.

Total capital assets (net of \$21.6 million in accumulated depreciation) at June 30, 2009, were \$91.2 million, an increase of approximately \$6.3 million from prior year. As shown in Note 4 to the financial statements, the increase was the net of \$8.3 million in capital asset additions and \$2 million of depreciation expense during the year. As shown in Table 5, construction in progress increased by \$7.9 million from the prior year. This increase is due to several capital projects that are in progress, including \$500,000 for Cabrillo Blvd Sidewalks, \$533,000 for West Beach pedestrian improvements, \$403,000 for the Carrillo Recreation Center restoration, and \$5.3 million for renovations Fire Station #1 including the addition of the City's new emergency operations center.

**Redevelopment Agency of the City of Santa Barbara
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009**

**Table 5
Redevelopment Agency of the City of Santa Barbara
Summary of Capital Assets
Net of Accumulated Depreciation
As of June 30, 2009 and 2008**

	2009	2008
Land	\$ 40,429,911	\$ 40,429,911
Equipment	137,480	150,574
Buildings	23,986,656	24,645,173
Building Improvements	843,595	663,323
Infrastructure	2,767,589	2,966,593
Improvements other than buildings	7,918,439	8,863,211
Construction in progress	15,160,176	7,227,773
Total	<u>\$ 91,243,846</u>	<u>\$ 84,946,558</u>

Long-term Debt

As of June 30, 2009, the Agency had \$64.2 million in outstanding tax allocation bonds and \$750,000 in State Housing loans outstanding. The Agency issues tax allocation bonds to provide funds for the redevelopment activities of the RDA. No new debt was issued this fiscal year and the Agency made principal payments totaling \$5.1 million. The Agency's outstanding debt is currently rated AAA by Moody's Investors Service and by Standard & Poor's Rating Services.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary economic factor affecting the Redevelopment Agency is the real estate market, which has a direct bearing on the level of property tax increment revenues generated. The strong real estate market from 2000 through 2007 has resulted in continued and substantial growth in revenues and, thus, allowed for the funding of important projects and activities during that period. While local real estate values have generally declined significantly over the last two years in connection with the nation-wide economic downturn and housing slump, the Agency has enjoyed strong growth in property tax increment revenues. In fact, growth in these revenues averaged over 9.5% in the last three years, including a high of 10.8% in fiscal year 2009. The continued growth is due to the fact that property taxes are generally only reassessed when property changes ownership. Otherwise, taxes can only increase by the Consumer Price Index (CPI) up to a maximum of 2% per year. Therefore, revenues will decline only to the extent that actual market values, which have risen dramatically over the last 10 years, fall below the assessed value. Therefore, even though prices are declining, the effect on property taxes is uncertain. Accordingly, the Agency has budgeted a modest 4% growth in tax increment revenues from the prior year's budget, bringing the budgeted total to approximately \$20.4 million.

The State of California is experiencing a severe budget crisis due to a significant drop in many key revenues. The Governor and the legislature will be working on a plan to get the State through these difficult times. Given the magnitude of the problem, and the history of the State's budget balancing strategies, the State has again passed a budget that proposes to take money from redevelopment agencies in an effort to help balance the budget. If Agency funds are used again to close the State's budget gap, there will likely be a significant impact on the Agency's operations. In Fiscal Year 2010 the State proposes to take \$6.8 million from the City of Santa Barbara's Redevelopment Agency and approximately an additional \$1.5 million dollars in Fiscal Year 2011. The California

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Redevelopment Association has filed another lawsuit in response to the proposed takings; however, there is no known time frame for a resolution of that lawsuit.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Redevelopment Agency's finances for all those with an interest. Questions concerning the information provided in this report or requests for additional financial information should be directed to:

Mr. Robert Samario, Interim Finance Director
or Mr. Rudolf Livingston, Accounting Manager
City of Santa Barbara
Finance Department
P.O. Box 1990
Santa Barbara, CA 93102-1990
Phone: 805-564-5334
BSamario@SantaBarbaraCa.gov
RLivingston@SantaBarbaraCa.gov

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities
ASSETS	
Cash and investments	\$ 28,065,155
Accrued interest receivable	88,443
Loans receivable	44,919,652
Deferred charge -issuance costs, net	1,325,639
Deferred charge - discount, net	270,384
Restricted assets:	
Cash and investments with fiscal agents	26,620,735
Capital assets not being depreciated:	
Land	40,429,911
Construction in progress	15,160,176
Capital assets (net of accumulated depreciation):	
Buildings	23,986,657
Building improvements	843,594
Improvements other than buildings	7,918,439
Equipment	137,480
Infrastructure	2,767,589
Total capital assets	91,243,846
Total assets	192,533,854
LIABILITIES	
Current Liabilities:	
Accounts payable	1,369,298
Accrued interest payable	914,923
Deposits	14,000
Total current liabilities	2,298,221
Noncurrent liabilities	
Unamortized debt premium	731,282
Bonds payable:	
Due within one year	5,285,000
Due in more than one year	59,630,000
Total noncurrent liabilities	65,646,282
Total liabilities	67,944,503
NET ASSETS	
Invested in capital assets, net of related debt	53,141,953
Restricted for:	
Capital projects	12,915,570
Low and moderate income programs	44,556,732
Unrestricted	13,975,096
Total net assets	\$ 124,589,351

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues	Net Revenue (Expense) and Changes in Net Assets
		Operating Grants and Contributions	
Governmental activities:			
General government	\$ 2,412,836	\$ -	\$ (2,412,836)
Housing	1,517,826	470,870	(1,046,956)
Redevelopment capital	2,550,973	-	(2,550,973)
Debt service:			
Interest	3,049,148	121,081	(2,928,067)
Total governmental activities	<u>\$ 9,530,783</u>	<u>\$ 591,951</u>	<u>(8,938,832)</u>
General revenues:			
Property taxes			20,037,894
Investment earnings			2,147,301
Other revenue			331,544
Total general revenues			<u>22,516,739</u>
Change in net assets			13,577,907
Net assets, beginning of year			<u>111,011,444</u>
Net assets, end of year			<u>\$ 124,589,351</u>

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Special Revenue	Capital Projects	Total Governmental Funds
<u>Assets</u>				
Cash and investments	\$ 7,074,660	\$ 8,074,925	\$ 12,915,570	\$ 28,065,155
Accrued interest receivable	60,654	27,789	-	88,443
Loans receivable	-	41,419,652	3,500,000	44,919,652
Restricted assets:				
Cash and investments with fiscal agent	-	557,628	26,063,107	26,620,735
Total assets	<u>\$ 7,135,314</u>	<u>\$ 50,079,994</u>	<u>\$ 42,478,677</u>	<u>\$ 99,693,985</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 4,616	\$ 993	\$ 1,363,689	\$ 1,369,298
Deposits	14,000	-	-	14,000
Interest payable	-	167,269	-	167,269
Total liabilities	<u>18,616</u>	<u>168,262</u>	<u>1,363,689</u>	<u>1,550,567</u>
Fund Balances:				
Reserved for:				
Encumbrances	94,780	-	2,836,269	2,931,049
Non-current assets	-	41,419,652	3,500,000	44,919,652
Redevelopment activities	7,021,918	-	34,778,719	41,800,637
Low and moderate income housing	-	8,492,080	-	8,492,080
Total fund balances	<u>7,116,698</u>	<u>49,911,732</u>	<u>41,114,988</u>	<u>98,143,418</u>
Total liabilities and fund balances	<u>\$ 7,135,314</u>	<u>\$ 50,079,994</u>	<u>\$ 42,478,677</u>	<u>\$ 99,693,985</u>

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS
For the Fiscal Year Ended June 30, 2009

Total governmental fund balances (page 14)	\$ 98,143,418
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	91,243,846
Costs incurred to refund bonds are an expenditure in the governmental fund but they must be reported as deferred issuance costs in the government-wide financial statements.	208,649
Deferred issuance costs on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.	(19,084)
Governmental long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(64,915,000)
Interest on long-term debt is reported as an expenditure of the governmental funds when paid because it requires the use of current financial resources. However, accrued interest must be recorded when incurred.	(747,654)
Government funds debt costs such as issuance costs, discounts, and losses on advance refunding are reported as an expenditure when those costs are first incurred because they require the use of current financial resources. However, debt issuance costs must be included as a deferred charge in the government-wide financial statements.	602,048
Governmental funds premium received on the issuance of debt is recorded as revenue when received because the premium provides current financial resources. However, the premiums are amortized over the life of the bond issue in the government-wide financial statements.	73,128
Net assets of governmental activities (page 12)	<u><u>\$ 124,589,351</u></u>

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Fiscal Year ended June 30, 2009

	General	Special Revenue	Capital Projects	Total Governmental Funds
Revenues:				
Incremental property taxes	\$ 16,030,315	\$ 4,007,579	\$ -	\$ 20,037,894
Intergovernmental	-	-	121,081	121,081
Use of money and property	529,160	626,294	1,462,717	2,618,171
Other revenues	110,326	214,926	6,292	331,544
Total revenues	16,669,801	4,848,799	1,590,090	23,108,690
Expenditures:				
Current:				
Supplies and services	1,586,244	834,773	-	2,421,017
Projects	812,200	277,788	521,667	1,611,655
Forgiveness of loans receivable	-	404,000	-	404,000
Other expenditures	14,392	1,265	-	15,657
Debt service:				
Principal	-	455,000	4,645,000	5,100,000
Interest	-	139,799	2,871,084	3,010,883
Capital Outlay:				
Projects	-	-	8,321,784	8,321,784
Total expenditures	2,412,836	2,112,625	16,359,535	20,884,996
Excess (deficiency) of revenues over (under) expenditures	14,256,965	2,736,174	(14,769,445)	2,223,694
Other financing sources (uses):				
Transfer out to the City of Santa Barbara	(3,207)	(1,603)	-	(4,810)
Transfers in	-	-	15,269,184	15,269,184
Transfers out	(15,269,184)	-	-	(15,269,184)
Total other financing sources (uses)	(15,272,391)	(1,603)	15,269,184	(4,810)
Net change in fund balances	(1,015,426)	2,734,571	499,739	2,218,884
Fund balances, beginning of fiscal year	8,132,124	47,177,161	40,615,249	95,924,534
Fund balances, end of fiscal year	\$ 7,116,698	\$ 49,911,732	\$ 41,114,988	\$ 98,143,418

See accompanying notes to the basic financial statements

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances - total governmental funds (page 16)		\$ 2,218,884
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditures for general capital assets, infrastructure, and other related capital	\$ 8,321,784	
Less current year depreciation	<u>(2,024,496)</u>	6,297,288
Deferred charges on a bond refunding must be amortized in the statement of activities over the life of the new bond issue.		(19,084)
Repayment and refunding of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.		5,100,000
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(67,517)
Governmental funds report interest on long-term debt as expenditures when paid, whereas these amounts are accrued and reported in the period when the liability exists in the statement of activities.		48,336
Net change in net assets of governmental activities (page 13)		<u><u>\$ 13,577,907</u></u>

See accompanying notes to the basic financial statements

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

Notes to the Basic Financial Statements

June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Redevelopment Agency of the City of Santa Barbara (Agency) conform to accounting principles generally accepted in the United States as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of the Agency's more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies should be viewed as an integral part of the accompanying financial statements.

A. Reporting Entity

The Agency was created by the City Council of the City of Santa Barbara (City) by Ordinance 32-7, adopted March 5, 1968. Ordinance Number 3906, issued on May 24, 1977, declared the City Council to be the Agency's governing body.

The Agency was established pursuant to Section 33200 of the State of California Health and Safety Code. As such, the Agency acts as a legal entity, separate and distinct from the City, even though the City Council of the City serves as the Agency's governing board.

The actions of the Agency are binding. All business, including the issuance of long-term debt, is routinely transacted in the Agency's name by its appointed representatives. The Agency is broadly empowered to engage in the general economic revitalization and redevelopment of the City through acquisition and development of property in those areas of the City determined to be in a declining condition.

The Redevelopment Agency does not have any employees. The City provides all support staff and performs all administrative functions for the Agency under the terms of a written agreement with the Agency.

Under reporting requirements prescribed by generally accepted accounting principles adopted by the GASB, the Agency's financial activity is also reported in the City of Santa Barbara's comprehensive annual financial report. This treatment is due to the requirement that municipal organizations include in one report all operations significantly controlled by the same governing body. Specific interpretation for redevelopment agencies requires their inclusion in the City's comprehensive annual financial report. No express or implied assumption of any of the Agency's liabilities, either at present or in the future, is made by the inclusion of the Agency's financial results in the City's annual financial report. The Agency remains separate for all legal purposes. Accordingly, the accompanying combined financial statements are issued as a separate report of the Redevelopment Agency.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report on the Agency as a whole. The statement of activities demonstrates the degree to which the direct expenses of the Agency's functions are offset by program revenues. Direct expenses are those that are clearly identifiable with the Agency's function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the Agency's programs. Other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for the governmental funds of the Agency (balance sheet and the statement of revenues, expenditures and changes in fund balance).

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

Notes to the Basic Financial Statements

June 30, 2009

liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and statement of activities display information about the Agency as a whole and, accordingly, eliminations have been made to remove interfund activities.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest income associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

The Agency reports the following major governmental funds:

General Fund – Used to account for all financial resources of the Agency, except for those required for debt service, construction and housing activity.

Special Revenue Fund – The Agency has one special revenue fund, the Housing Fund, which is used to account for the financial resources available for low and moderate-income loan and grant programs.

Capital Projects Fund – The Capital Projects Fund is used to account for the proceeds of the Agency's 1995, 2001, 2003, and 2004 Tax Allocation Bonds which are being used to fund major capital improvement projects of the Agency, and the debt service, including principal, interest, and related costs of the 2001, 2003, and 2004 Tax Allocation Bonds.

1995 Tax Allocation Bond Debt Service Fund – The Debt Service fund is used to account for the accumulation of resources for and the payment of the 1995 Tax Allocation Bond general long-term debt, including principal, interest and related costs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

D. Investments

Investments are reported in the accompanying basic financial statements within the "cash and investments" classification. The Agency has developed a formal investment policy that exceeds the minimum requirements established by the State of California. The Agency believes that it has adhered to established policies for all investment activities. All investments are stated at market value.

E. Incremental Property Tax

Incremental property taxes are considered as revenues by the Agency when they become both measurable and available for financing the Agency's redevelopment activities during the year. Incremental property tax revenues represent property taxes collected from the excess of taxes levied and collected each year on a redevelopment project over that amount which would have been levied and collected on the base year property tax assessment. A property tax base year is determined to be the year prior to the establishment of a redevelopment project area.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

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Property taxes are levied on March 1, are due on November 1 and March 1, and become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is November 1.

F. Properties Held for Resale

Properties held for resale by the Agency are recorded in the Agency's General Fund at the lower of cost or estimated net realizable value. Realizable value is determined by an agreed-upon sale price with a developer. Prior to the establishment of such a development agreement, the properties are maintained at cost. Capitalized costs include all moneys expended in the redevelopment process that can be properly attributable to properties to be resold to developers.

G. Self-Insurance

For purposes of general liability, the Agency is self-insured. As of June 30, 2007, management is not aware of any outstanding claims that would require accrual.

H. Low and Moderate Income Housing

In accordance with state law, the Agency is required to set aside twenty percent (20%) of the taxes received for low and moderate income housing programs. Historically, the Agency has complied with this requirement. These resources are accounted for in the special revenue fund.

I. Capital Assets

Capital assets which include land, buildings, improvements to buildings, improvements other than buildings, equipment, construction in progress, and infrastructure (e.g., sidewalks, and similar items), are reported in the government-wide financial statements. The Agency defines capital assets as assets with an estimated useful life in excess of one year and an initial individual cost of \$10,000 or more for equipment, \$25,000 or more for building improvements and other improvements, \$50,000 or more for buildings and \$100,000 or more for infrastructure. Such assets are recorded at historical cost if purchased, or estimated historical cost if constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are charged to operations when incurred. Capital assets, except land and construction in progress, of the Agency are depreciated using the straight-line method using the estimated useful lives below:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building Improvements	40-50
Improvements other than Buildings	25-50
Equipment	5-20
Infrastructure	10-100

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

K. Net Assets

Net assets represent the difference between assets and liabilities. In the Government-wide financial statements, net assets are classified as the following:

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

Notes to the Basic Financial Statements

June 30, 2009

debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

- *Restricted Net Assets* – this category presents all external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, this category presents restrictions placed on the categories of Capital Projects, and Specific Projects and Programs as established by the City Council.
- *Unrestricted Net Assets* – This category represents the net assets of the Agency, which are not restricted for any project or other purpose.

The Agency's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2. DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	\$ 28,065,155
Cash and investments with fiscal agents	26,620,735
Total cash and investments	<u><u>\$ 54,685,889</u></u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 75
Demand deposit accounts with financial institutions	3,933,636
Investments	50,752,179
Total cash and investments	<u><u>\$ 54,685,889</u></u>

Investments Authorized by the California Government Code and the Agency's Investment Policy

The table below identifies the investment types that are authorized for the Agency by the California Government Code (or the Agency's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Agency's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the California Government Code or the Agency's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
State of California/Local Agency Obligations	5 years	None	None
Banker's Acceptances	180 days	40%	10%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	15%	3%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	5%
U.S. Government Money Market Funds	N/A	20%	10%
Bank/Time Deposits	5 years	None	None

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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Local Agency Investment Fund (LAIF) N/A \$40 million* N/A
 *Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee is governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Agency's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with its investment policy, the Agency manages its exposure to declines in fair value by limiting the weighted average maturity to 2 ½ years. In addition, the Agency employs a "buy and hold" investment strategy whereby investments are held to maturity at which time the investment is redeemed at par. This strategy limits the Agency's exposure to declines in fair value to unforeseen emergencies when the need for cash beyond that which is planned and anticipated may arise.

Portfolio diversification is also employed as a way to control risk, including those associated with market changes or issuer default. To control market price risks, volatile investments are avoided, and to control risks of illiquidity, a minimum of 10% of the total portfolio is held in highly marketable U.S. Treasury Bills and Notes and/or the State of California Local Agency Investment Fund (LAIF) and/or Money Market Funds and/or securities maturing within 90 days.

<u>Investment Type</u>		<u>Weighted Avg. Maturity (in years)</u>
State Local Agency Investment Held by bond trustee:	\$24,131,444	N/A
Money market funds	26,620,735	N/A
Total	<u>\$50,752,179</u>	

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

None of the Agency's investments (including investments held by bond trustees) are highly sensitive to interest rate fluctuations.

Disclosures Relating to Credit Risk

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA

Notes to the Basic Financial Statements

June 30, 2009

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Agency's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

Investment Type		Minimum Legal Rating	Rating as of Year End	
			AAA	Unrated
LAIF	\$24,131,444	N/A	\$ -	\$24,131,444
Held by fiscal agents:				
Money market funds	26,620,735	A	26,620,735	-
Total	<u>\$50,752,179</u>		<u>\$26,620,735</u>	<u>\$24,131,444</u>

Concentration of Credit Risk

The investment policy of the Agency contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Agency's investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: None of the Agency's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. As of June 30, 2008, no Agency investments were held by the safekeeping department of the broker-dealer (counterparty) used by the Agency to buy the securities.

Investment in Local Agency Investment Fund

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
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NOTE 3. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	Beginning Balance June 30, 2008	Increases	Decreases	Ending Balance June 30, 2009
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 40,429,911	\$ -	\$ -	\$ 40,429,911
Construction in progress	7,227,773	8,132,403	200,000	15,160,176
Total capital assets, not being depreciated	47,657,684	8,132,403	200,000	55,590,087
Capital assets being depreciated:				
Buildings	26,340,653	-	-	26,340,653
Building Improvements	689,167	200,000	-	889,167
Improvements other than buildings	25,667,618	189,381	-	25,856,999
Equipment	196,401	-	-	196,401
Infrastructure	3,980,085	-	-	3,980,085
Total capital assets being depreciated	56,873,924	389,381	-	57,263,305
Less accumulated depreciation for:				
Buildings	(1,695,480)	(658,516)	-	(2,353,996)
Building Improvements	(25,844)	(19,729)	-	(45,573)
Improvements other than buildings	(16,804,407)	(1,134,153)	-	(17,938,560)
Equipment	(45,827)	(13,094)	-	(58,921)
Infrastructure	(1,013,492)	(199,004)	-	(1,212,496)
Total accumulated depreciation	(19,585,050)	(2,024,496)	-	(21,609,546)
Total capital assets, being depreciated, net	37,288,874	(1,635,115)	-	35,653,759
Governmental activities capital assets, net	\$ 84,946,558	\$ 6,497,288	\$ 200,000	\$ 91,243,846

Depreciation expense of \$2,024,496 was charged to the General Governmental Function of the Agency.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
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The Agency has active construction projects as of June 30, 2009. At year-end the Agency's commitments with contractors were as follows:

<u>Project</u>	<u>Spent To Date</u>	<u>Remaining Commitment</u>
Plaza Vera Cruz	\$ 547,461	\$ -
State Street Sidewalks	3,497,679	-
Mission Creek Flood Control Channel	17,157	-
Fire Station #1 Remodel	6,351,833	321,698
Cabrillo Blvd Sidewalks-Wharf/Milpas	1,326,561	54,800
West Beach Pedestrian Improvements	902,044	2,018,297
Plaza De La Guerra Infrastructure	115,927	-
West Downtown Improvements	902,044	33,355
Historic Railroad Car	381,057	-
Carrillo Rec Center Restoration	586,414	227,723
PD locker room upgrade	393,177	35,132
Fire Station #1 EOC	142,936	114,974
Anapamu Open Space Enhancements	185,496	-
Pedestrian Improvements-Coffee Cat	129,930	-
Total	<u>\$ 15,479,716</u>	<u>\$ 2,805,979</u>

NOTE 4. INTERFUND TRANSFERS

<u>Transfer Out:</u>	<u>Transfer In:</u>	
	<u>Agency Capital Projects</u>	<u>Total</u>
Agency General Fund	\$ 15,269,184	\$ 15,269,184
Total Transfers	<u>\$ 15,269,184</u>	<u>\$ 15,269,184</u>

On the Statement of Activities Inter-fund transfers have been eliminated. The inter fund-transfers result from transfers from the Agency general fund to the capital projects fund and debt service fund related to debt service payments on behalf of the Agency.

NOTE 5. LOANS RECEIVABLE

Loans receivable in the governmental funds, totaling \$44,919,652 at June 30, 2009, consist of loans provided to low- and moderate-income households, and developers of low- and moderate-income housing, with interest ranging from 3% to 8% and maturities up to 20 years.

NOTE 6. LONG-TERM DEBT

The Agency issues tax allocation bonds to provide funds for the acquisition of land or property and restoration or rehabilitation construction of existing buildings or improvements to eliminate blight in central downtown Santa Barbara. The Agency pledges tax increment revenues to pay debt service of the tax allocation bonds. The Agency also has a loan due to the

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
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June 30, 2009

California Housing Finance Agency (CHFA) used for the Agency's revolving loan program to facilitate the development of affordable multifamily rental housing projects in the City's downtown area.

GASB 48 Disclosure – Pledging of revenues: Annual principal and interest payments on the tax allocation bonds are expected to require approximately 45% of net tax increment revenues. The total principal and interest remaining to be paid on the Bonds is \$82,443,454 as of June 30, 2009. For the current year, principal and interest paid on the Bonds was \$8,110,883 and property tax increment net revenues were \$20,037,894. The Bonds required 45% of net tax increment revenues.

Long-term debt outstanding at year-end is as follows:

	Interest Rate %	Date of Issue	Maturity	Amount of Original Issue	Outstanding Balance June 30, 2009
Tax allocation bonds:					
2001 Series A	4.125 - 5.00%	07/25/01	03/01/19	\$ 38,855,000	\$ 35,520,000
2003 Series A	4.000 - 5.00%	12/18/03	03/01/19	34,810,000	23,290,000
2004 Series A	2.000 - 5.00%	07/01/04	07/01/19	7,150,000	5,355,000
CHFA Loan	3.00%	10/19/99	10/19/09	750,000	750,000
Total				<u>\$ 81,565,000</u>	<u>\$ 64,915,000</u>

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Balance 07/01/08	Additions	Retirements	Balance 06/30/09	Due Within One Year	Due in More Than One Year
Tax allocation bonds:						
2001 Series A	\$ 38,305,000	\$ -	\$ 2,785,000	\$35,520,000	\$ 2,895,000	\$32,625,000
2003 Series A	25,150,000	-	1,860,000	23,290,000	1,920,000	21,370,000
2004 Series A	5,810,000	-	455,000	5,355,000	470,000	4,885,000
CHFA Loan	750,000	-	-	750,000	-	750,000
Total	<u>\$ 70,015,000</u>	<u>\$ -</u>	<u>\$ 5,100,000</u>	<u>\$64,915,000</u>	<u>\$ 5,285,000</u>	<u>\$ 59,630,000</u>

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2009

Annual debt service requirements to maturity for long-term debt are as follows:

Fiscal Year Ending	Principal Payments				Total
	2001 Tax Allocation	2003 Tax Allocation	2004 Tax Allocation	CHFA Loan	
2010	\$ 2,895,000	\$ 1,920,000	\$ 470,000	\$ 750,000	\$ 6,035,000
2011	3,015,000	1,975,000	480,000	-	5,470,000
2012	3,140,000	2,075,000	490,000	-	5,705,000
2013	3,280,000	2,140,000	505,000	-	5,925,000
2014	3,430,000	2,245,000	520,000	-	6,195,000
2015 - 2019	19,760,000	12,935,000	2,890,000	-	35,585,000
	-	-	-	-	-
Principal payments outstanding	35,520,000	23,290,000	5,355,000	750,000	64,915,000

Fiscal Year Ending	Interest Payments				Total
2010	1,649,972	1,050,430	168,950	223,370	3,092,722
2011	1,530,554	992,830	156,595	-	2,679,979
2012	1,406,185	894,080	142,765	-	2,443,030
2013	1,271,165	821,455	127,840	-	2,220,460
2014	1,123,565	714,455	111,815	-	1,949,835
2015 - 2019	3,020,635	1,850,625	271,168	-	5,142,428
	-	-	-	-	-
Interest payments outstanding	10,002,076	6,323,875	979,133	223,370	17,528,454
Net Debt Service Obligation	\$ 45,522,076	\$ 29,613,875	\$ 6,334,133	\$ 973,370	\$ 82,443,454

The Agency has complied with all significant bond covenants.

NOTE 7. LITIGATION

The Agency is presently involved in certain matters of litigation that have arisen in the normal course of conducting Agency business. Agency management believes, based upon consultation with the Agency's Counsel, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the Agency.

NOTE 8. OTHER REQUIRED DISCLOSURES – CERTIFICATES OF PARTICIPATION

In 1984, the Agency issued certificates of participation in order to finance the acquisition and construction of certain harbor improvements to the Santa Barbara Harbor. These improvements were leased to the City of Santa Barbara for the benefit of the Tidelands Trust Fund, which is now known as the Waterfront Fund, an enterprise fund of the City. These certificates were refunded in 1986, 1992, and through the issuance of the 2002 \$19,405,000 Refunding Certificates of Participation. Pursuant to an agreement dated July 2, 2002, the rights to the lease payments from the Waterfront Fund have been assigned to the Redevelopment Agency, a trustee for the benefit of the registered owners of the Certificates. Accordingly, the liability associated with the obligations under the Certificates of Participation have been recorded within the Waterfront Fund and are therefore not included as a liability of the Agency. As of June 30, 2009, the Refunding Certificates of Participation have an outstanding balance of \$15,550,000.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Notes to the Basic Financial Statements
June 30, 2009

NOTE 9. SUBSEQUENT EVENTS

Subsequent to June 30, 2009, the State of California (State) has decided to borrow, to defer certain revenue payments and to take certain funds from local governments, including \$6,818,255 of tax increment revenue from the Redevelopment Agency. Redevelopment Agency funds have been estimated for a two year takeaway by the State. This decision is to be litigated by California Redevelopment Association and other parties with hope that this will be considered unconstitutional as was last year's State proposed takeaway.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2009

Notes to the Required Supplementary Information

BUDGETARY INFORMATION

The Agency follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- Prior to May 1, the Executive Director submits to the Agency Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain public comments.
- Prior to June 30, the budget is legally adopted through the passage of a resolution.
- Expenditures may not legally exceed appropriations at the fund level.

Formal operating budget integration is employed as a management control device during the year for the General Fund and Housing Special Revenue Fund. Formal budgetary integration is not employed for the Agency's Debt Service Fund because effective budgetary control is alternatively achieved through the provisions of the Agency's bond indentures. While budgets are prepared for the Agency's capital projects fund, capital projects generally span more than one fiscal year and are effectively controlled at the project level. The Housing Special Revenue Fund budget also includes appropriations for certain multi-year capital projects. As such, variances between actual and budget may not be meaningful. Budget appropriations lapse at year-end with the exception of special projects, capital programs, and funds encumbered by contract or purchase order.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Housing Fund. Encumbrances outstanding at year-end are reported as a reservation of fund balance since they represent financial obligations for goods and services received through June 30, 2008, but not yet paid.

Except for the General Fund, individual amendments were not material in relation to the original appropriations.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2009

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
For the Year Ended June 30, 2009

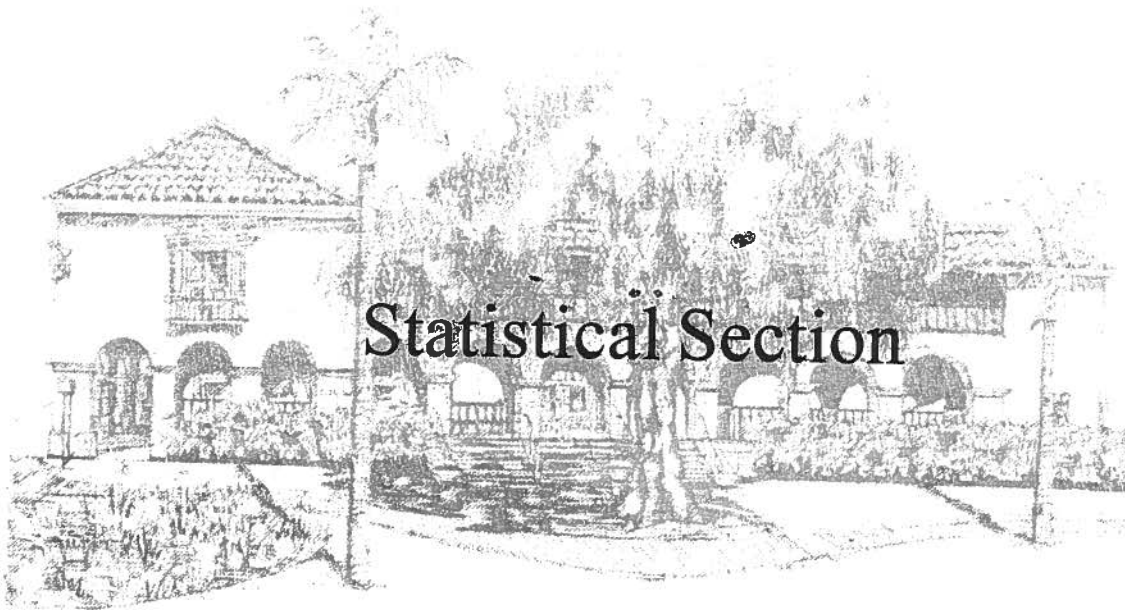
	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Incremental property tax	\$ 14,414,400	\$ 14,414,400	\$ 16,030,315	\$ 1,615,915
Use of money and property	253,000	253,000	529,160	276,160
Other Revenue	1,389	1,389	110,326	108,937
Total Revenues	14,668,789	14,668,789	16,669,801	2,001,012
EXPENDITURES				
Current:				
Supplies and services	1,747,909	1,749,895	1,586,244	163,651
Projects	656,350	3,992,240	812,200	3,180,040
Other expenditures	91,500	64,029	14,392	49,637
Total Expenditures	2,495,759	5,806,164	2,412,836	3,393,328
Excess of revenues over expenditures	12,173,030	8,862,625	14,256,965	5,394,340
OTHER FINANCING USES				
Transfers out to the City of Santa Barbara	-	-	(3,207)	(3,207)
Transfers out	(12,173,030)	(15,303,657)	(15,269,184)	34,473
Total other financing uses	(12,173,030)	(15,303,657)	(15,272,391)	31,266
Net change in fund balance	-	(6,441,032)	(1,015,426)	5,425,606
Fund balance, beginning of fiscal year	8,132,124	8,132,124	8,132,124	-
Fund balance, end of fiscal year	\$ 8,132,124	\$ 1,691,092	\$ 7,116,698	\$ 5,425,606

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
Required Supplementary Information
June 30, 2009

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP)
For the Year Ended June 30, 2009

	Special Revenue Housing Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	
	Original	Final		
REVENUES				
Incremental property tax	\$ 3,603,600	\$ 3,603,600	\$ 4,007,579	\$ 403,979
Use of money and property	310,000	310,000	626,294	316,294
Other Revenue	534	534	214,926	214,392
Total Revenues	3,914,134	3,914,134	4,848,799	934,665
EXPENDITURES				
Current:				
Supplies and services	857,624	864,667	834,773	29,894
Projects	-	189,329	277,788	(88,459)
Forgiveness of loans receivable	-	-	404,000	(404,000)
Other expenditures	87,500	18,171	1,265	16,906
Debt Service:				
Principal	455,000	455,000	455,000	-
Interest	181,650	181,650	139,799	41,851
Total Expenditures	1,581,774	1,708,817	2,112,625	(403,808)
Excess of revenues over expenditures	2,332,360	2,205,317	2,736,174	530,857
OTHER FINANCING USES				
Transfers out to the City of Santa Barbara	(5,464)	(5,464)	(1,603)	3,861
Net change in fund balance	2,326,896	2,199,853	2,734,571	534,718
Fund balance, beginning of fiscal year	47,177,161	47,177,161	47,177,161	-
Fund balance, end of fiscal year	\$ 49,504,057	\$ 49,377,014	\$ 49,911,732	\$ 534,718





Statistical Section

STATISTICAL SECTION

This part of the Redevelopment Agency of the City of Santa Barbara's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	34
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	40
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	
Debt Capacity	44
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	49
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	51
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Redevelopment Agency of the City of Santa Barbara
Net assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities								
Invested in capital assets, net of related debt	\$31,019	\$33,161	\$40,454	\$45,688	\$42,215	\$42,013	\$46,422	\$53,142
Restricted	36,902	39,013	37,010	45,299	41,154	43,727	49,706	57,472
Unrestricted	5,221	6,424	7,770	1,460	10,802	13,660	14,883	13,975
Total governmental activities net assets	<u>\$73,142</u>	<u>\$78,598</u>	<u>\$85,234</u>	<u>\$92,447</u>	<u>\$94,171</u>	<u>\$99,400</u>	<u>\$111,011</u>	<u>\$124,589</u>

Redevelopment Agency of the City of Santa Barbara
Changes in Net Assets
Last Eight Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year							
Expenses	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities:								
General government	\$ 2,780	\$ 4,976	\$ 3,893	\$ 4,390	\$ 3,941	\$ 2,515	\$3,108	\$2,413
Housing	376	703	1,232	673	2,585	1,151	1,383	1,518
Redevelopment capital	918	976	992	136	7,873	6,613	2,556	2,551
Interest on long-term debt	3,352	3,133	2,519	3,886	3,823	3,579	3,344	3,049
Total governmental activities expenses	<u>7,426</u>	<u>9,788</u>	<u>8,636</u>	<u>9,085</u>	<u>18,222</u>	<u>13,858</u>	<u>10,391</u>	<u>9,531</u>
Program Revenues								
Governmental activities:								
Operating grants and contributions	441	403	316	238	640	193	325	592
Total governmental activities program revenues	<u>441</u>	<u>403</u>	<u>316</u>	<u>238</u>	<u>640</u>	<u>193</u>	<u>325</u>	<u>592</u>
Net (expense)								
Governmental activities	<u>(6,985)</u>	<u>(9,385)</u>	<u>(8,320)</u>	<u>(8,847)</u>	<u>(17,582)</u>	<u>(13,665)</u>	<u>(10,066)</u>	<u>(8,939)</u>
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property	11,853	12,774	12,862	13,858	15,179	16,731	18,081	20,038
Investment income	2,566	2,056	2,092	2,116	1,978	2,137	3,117	2,147
Other revenue	4	11	2	86	2,056	26	479	332
Total governmental activities	<u>14,423</u>	<u>14,841</u>	<u>14,956</u>	<u>16,060</u>	<u>19,213</u>	<u>18,894</u>	<u>21,677</u>	<u>22,517</u>
Change in Net Assets								
Governmental activities	<u>\$ 7,438</u>	<u>\$ 5,456</u>	<u>\$ 6,636</u>	<u>\$ 7,213</u>	<u>\$ 1,631</u>	<u>\$ 5,229</u>	<u>\$11,611</u>	<u>\$13,578</u>

Redevelopment Agency of the City of Santa Barbara
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)

Fiscal Year	Property Tax
2000	\$9,624
2001	11,183
2002	11,853
2003	12,774
2004	12,862
2005	13,858
2006	15,179
2007	16,731
2008	18,081
2009	20,038

Redevelopment Agency of the City of Santa Barbara
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund Reserved	\$ 3,359	\$ 4,498	\$ 5,332	\$ 3,956	\$ 3,716	\$ 3,132	\$ 5,658	\$ 7,887	\$ 8,132	\$ 7,117
All other governmental funds Reserved	36,635	35,337	73,583	77,039	105,987	106,464	88,478	82,972	87,793	91,026
Total Fund Balance	<u>\$39,994</u>	<u>\$39,835</u>	<u>\$78,915</u>	<u>\$80,995</u>	<u>\$109,703</u>	<u>\$109,596</u>	<u>\$94,136</u>	<u>\$90,859</u>	<u>\$95,925</u>	<u>\$98,143</u>

Redevelopment Agency of the City of Santa Barbara
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Incremental property taxes	\$9,624	\$11,183	\$11,853	\$12,851	\$12,945	\$13,946	\$15,273	\$16,831	\$18,081	\$20,038
Use of money and property	1,406	1,991	2,570	2,460	2,408	2,354	2,618	2,330	3,276	2,618
Other revenues	1,412	17	4	11	2	120	2,056	26	645	453
Total revenues	<u>12,442</u>	<u>13,191</u>	<u>14,427</u>	<u>15,322</u>	<u>15,355</u>	<u>16,420</u>	<u>19,947</u>	<u>19,187</u>	<u>22,002</u>	<u>23,109</u>
Expenditures										
Supplies and services	889	929	1,366	1,474	1,627	1,820	2,066	2,271	2,343	2,421
Projects	2,213	6,938	4,589	4,508	4,120	13,206	25,120	11,275	6,320	9,933
Other expenditures	28	16	75	36	38	19	14	11	77	420
Debt service										
Principal	3,410	3,600	4,345	3,985	5,210	4,535	5,190	5,350	4,845	5,100
Interest	2,058	1,868	2,777	3,239	3,109	3,792	3,767	3,557	3,336	3,011
Other charges	-	-	-	-	941	305	-	-	-	-
Total expenditures	<u>8,598</u>	<u>13,351</u>	<u>13,152</u>	<u>13,242</u>	<u>15,045</u>	<u>23,677</u>	<u>36,157</u>	<u>22,464</u>	<u>16,921</u>	<u>20,885</u>
Excess of revenues over (under) expenditures	3,844	(160)	1,275	2,080	310	(7,257)	(16,210)	(3,277)	5,081	2,224
Other financing sources (uses)										
Transfers in	7,398	7,486	14,420	8,315	9,502	9,015	8,213	12,571	12,491	15,269
Transfers out	(7,398)	(7,486)	(14,424)	(8,315)	(9,502)	(9,015)	(8,213)	(12,571)	(12,506)	(15,274)
Proceeds from bond issuance	-	-	37,810	-	28,398	7,150	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>37,806</u>	<u>-</u>	<u>28,398</u>	<u>7,150</u>	<u>-</u>	<u>-</u>	<u>(15)</u>	<u>(5)</u>
Net change in fund balances	<u>\$3,844</u>	<u>(\$160)</u>	<u>\$39,081</u>	<u>\$2,080</u>	<u>\$28,708</u>	<u>(\$107)</u>	<u>(\$16,210)</u>	<u>(\$3,277)</u>	<u>\$5,066</u>	<u>\$2,219</u>
Debt service as a percentage of noncapital expenditures	85.6%	85.3%	83.2%	82.7%	83.3%	81.9%	81.2%	79.6%	77.2%	74.1%

Redevelopment Agency of the City of Santa Barbara
General Governmental Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Incremental property taxes	\$9,624	\$11,183	\$11,853	\$12,851	\$12,945	\$13,946	\$15,273	\$16,831	\$18,081	\$20,038

Redevelopment Agency of the City of Santa Barbara
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Secured	Unsecured	Less: Exemptions	Taxable Assessed Value	Total Direct Tax Rate
2000	\$863,742	\$189,602	(\$44,240)	\$1,009,104	1.00%
2001	1,022,931	215,719	(52,137)	1,186,513	1.00%
2002	1,094,347	227,297	(54,310)	1,267,334	1.00%
2003	1,164,940	237,653	(55,639)	1,346,954	1.00%
2004	1,218,914	248,409	(77,833)	1,389,490	1.00%
2005	1,303,295	250,008	(82,652)	1,470,651	1.00%
2006	1,415,448	256,338	(93,142)	1,578,644	1.00%
2007	1,532,199	288,274	(99,693)	1,720,780	1.00%
2008	1,851,532	336,783	(150,558)	2,037,757	1.00%
2009	1,938,383	342,544	(166,008)	2,114,919	1.00%

Note: In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Sources: Santa Barbara County Auditor-Controller

Redevelopment Agency of the City of Santa Barbara
Direct and Overlapping Property Tax Rates
(Rate per \$100 of assessed value)
Last Ten Fiscal Years

Fiscal Year	<u>Direct Rates</u>	<u>Overlapping Rates</u>		<u>Total</u>
	<u>General</u>	<u>City Bonds</u>	<u>Schools Bonds</u>	
2000	\$1.000	-	\$0.019	\$1.019
2001	1.000	-	0.027	1.027
2002	1.000	-	0.028	1.028
2003	1.000	-	0.027	1.027
2004	1.000	-	0.025	1.025
2005	1.000	-	0.021	1.021
2006	1.000	-	0.026	1.026
2007	1.000	-	0.026	1.026
2008	1.000	-	0.026	1.026
2009	1.000	-	0.035	1.035

Sources: Santa Barbara County Auditor-Controller

Redevelopment Agency of the City of Santa Barbara
Principal Property Tax Payers
Current Year and Nine Years Ago
(amounts expressed in thousands)

Taxpayer	Fiscal Year 2009		Fiscal Year 2000	
	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value	Taxable Net Assessed Value	Percentage of Total Taxable Net Assessed Value
Paseo Nuevo Association ⁽¹⁾	\$86,587	4.09%	\$56,137	5.80%
Parker Fess Doubletree Hotel	82,270	3.89%	67,563	6.98%
Chapala One, LLC	45,687	2.16%	-	0.00%
MF Santa Barbara, LLC	36,414	1.72%	-	0.00%
Due West, LLC	32,109	1.52%	-	0.00%
Ralphs Grocery Co	25,954	1.23%	-	0.00%
Ella Paseo, LLC	22,500	1.06%	-	0.00%
Mahoob, Ray	20,390	0.96%	-	0.00%
ESJ Centers	19,475	0.92%	22,537	2.33%
1129 State Street	17,614	0.83%	13,034	1.35%
New York Times Company	-	0.00%	13,725	1.42%
Old Town Mall	-	0.00%	12,837	1.33%
State Street Properties	13,031	0.62%	12,019	1.24%
Union Pacific Railroad Company	-	0.00%	11,333	1.17%
Heiner Gerald & Dorothy L Trustees	10,966	0.52%	10,115	1.04%
El Paseo of Santa Barbara	11,300	0.53%	9,919	1.02%
	<u>\$389,000</u>	<u>18.39%</u>	<u>\$229,219</u>	<u>23.68%</u>

(1) The City's Redevelopment Agency owns the property and leases the property to the Paseo Nuevo Mall Association which is responsible for the payment of property taxes related thereto.

Sources: Santa Barbara County Auditor-Controller

Redevelopment Agency of the City of Santa Barbara
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2000	\$9,624	\$9,624	100%	\$ -	\$9,624	100%
2001	11,183	11,183	100%	-	11,183	100%
2002	11,853	11,853	100%	-	11,853	100%
2003	12,774	12,774	100%	-	12,774	100%
2004	12,862	12,862	100%	-	12,862	100%
2005	13,858	13,858	100%	-	13,858	100%
2006	15,179	15,179	100%	-	15,179	100%
2007	16,731	16,731	100%	-	16,731	100%
2008	18,081	18,081	100%	-	18,081	100%
2009	20,038	20,038	100%	-	20,038	100%

Redevelopment Agency of the City of Santa Barbara
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Tax Allocation Bonds	Loans	Total	Percentage of Personal Income¹	Per Capita¹
2000	\$32,750	\$ -	\$32,750	0.28%	\$356
2001	29,150	-	29,150	0.23%	319
2002	63,660	-	63,660	0.49%	702
2003	59,675	-	59,675	0.46%	660
2004	82,035	-	82,035	0.60%	906
2005	84,650	750	85,400	0.55%	943
2006	79,460	750	80,210	0.49%	896
2007	74,110	750	74,860	0.44%	837
2008	69,265	750	70,015	0.38%	775
2009	64,165	750	64,915	0.33%	719

Note: Details regarding the agency's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Demographic and Economic Statistics on page 47 for personal income and population data.

Redevelopment Agency of the City of Santa Barbara
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Tax Allocation Bonds	Loans	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value¹ of Property	Per Capita²
2000	\$32,750	\$ -	\$4,872	\$27,878	2.76%	\$303
2001	29,150	-	4,917	24,233	2.04%	265
2002	63,660	-	4,812	58,848	4.64%	649
2003	59,675	-	4,767	54,908	4.08%	607
2004	82,035	-	687	81,348	5.85%	898
2005	84,650	750	690	84,710	5.76%	936
2006	79,460	750	696	79,514	5.04%	888
2007	74,110	750	699	74,161	4.31%	829
2008	69,265	750	-	70,015	3.44%	775
2009	64,165	750	-	64,915	3.07%	719

Note: Details regarding the agency's outstanding debt can be found in the notes to the financial statements.

¹ See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 38 for property value data.

² Population data can be found in the Schedule of Demographic and Economic Statistics on page 47.

**Redevelopment Agency of the City of Santa Barbara
Direct and Overlapping Governmental Activities Debt
as of June 30, 2009
(amounts expressed in thousands)**

2008-09 Redevelopment Agency Incremental Valuation

\$3,415,245

	Debt Outstanding	Estimated Percentage Applicable¹	Estimated Share of Overlapping Debt
<u>Overlapping Debt Repaid with Property Taxes</u>			
Santa Barbara School Districts	\$100,141	14%	\$14,223
Total overlapping debt repaid with property taxes	<u>\$100,141</u>		<u>\$14,223</u>
<u>Direct and Overlapping General Obligation Debt</u>			
Santa Barbara County General Fund Obligations	\$73,315	4%	\$2,736
City of Santa Barbara Certificates of Participation	3,935	14%	559
Total direct and overlapping general obligation debt	<u>\$77,250</u>		<u>\$3,294</u>
Total direct and overlapping debt			<u>\$17,517</u>
<u>Ratio to 2008-09 Redevelopment Incremental Valuation</u>			
Total direct and overlapping debt			0.51%

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Agency. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Agency. This process recognizes that, when considering the Agency's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

¹ Assessed valuation estimates for the Agency, City and County were used to calculate the estimated percentage applicable of the overlapping debt. Assessed valuation (in millions) for the City is \$16,060; County is \$61,130. The same estimated percent applicable to the City is used for the School District.

Sources: County of Santa Barbara

Redevelopment Agency of the City of Santa Barbara
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Assessed valuation	\$1,053,344	\$1,238,650	\$1,321,644	\$1,402,593	\$1,467,323	\$1,553,303	\$1,671,786	\$1,820,473	\$2,188,315	\$2,280,927
Coverage percentage	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>	<u>25%</u>
Adjusted assessed valuation	263,336	309,663	330,411	350,648	366,831	388,326	417,947	455,118	547,079	570,232
Debt limit percentage	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>	<u>15%</u>
Debt limit	39,500	46,449	49,562	52,597	55,025	58,249	62,692	68,268	82,062	85,535
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$39,500</u>	<u>\$46,449</u>	<u>\$49,562</u>	<u>\$52,597</u>	<u>\$55,025</u>	<u>\$58,249</u>	<u>\$62,692</u>	<u>\$68,268</u>	<u>\$82,062</u>	<u>\$85,535</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Redevelopment Agency of the City of Santa Barbara
Pledged-Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Tax Allocation Bonds				
Fiscal Year	Tax Increment	Debt Service		Coverage
		Principal	Interest	
2000	\$ 9,624	\$ 3,410	\$ 2,058	1.76
2001	11,183	3,600	1,868	2.05
2002	11,853	4,345	2,739	1.67
2003	12,851	3,985	3,239	1.78
2004	12,945	5,210	3,075	1.56
2005	13,946	4,535	3,701	1.69
2006	15,273	5,190	3,733	1.71
2007	16,831	5,350	3,522	1.90
2008	18,081	4,845	3,302	2.22
2009	20,038	5,100	3,053	2.46

Note: Details regarding the agency's outstanding debt can be found in the notes to the financial statements.

**Redevelopment Agency of the City of Santa Barbara
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	City Population ⁽¹⁾	Personal Income (in millions) ⁽²⁾	Per Capita Personal Income ⁽²⁾	June 30 Unemployment Rate ⁽³⁾
2000	92,100	\$11,890	\$29,957	4.2%
2001	91,429	12,911	32,297	3.9%
2002	90,696	13,107	32,693	4.9%
2003	90,464	13,059	32,496	5.0%
2004	90,569	13,677	33,942	4.6%
2005	90,518	15,382	38,313	4.1%
2006	89,548	16,308	40,486	4.0%
2007	89,456	17,810	42,385	4.2%
2008	90,305	19,020	46,120	5.1%
2009	90,308	19,740	48,693	8.2%

Notes:

(2) (3) Data shown is for the metropolitan statistical area of Santa Barbara-Santa Maria.

Sources:

(1) California Department of Finance, Demographic Research Unit

(2) U.S. Department of Commerce, Bureau of Economic Analysis

(3) California Employment Development Department

**Redevelopment Agency of the City of Santa Barbara
Principal Employers
Ten Largest Employers - South Santa Barbara County
Current Year and Nine Years Ago**

Employer	As of June 30, 2009		As of June 30, 2000	
	Number of Employees	Percentage of Total City Employment	Number of Employees	Percentage of Total City Employment
University of California, Santa Barbara	9,501	17.63%	8,834	17.36%
County of Santa Barbara	4,214	7.82%	4,255	8.36%
Santa Barbara Cottage Hospital	2,518	4.67%	1,866	3.67%
Santa Barbara City Community College	2,360	4.38%	1,500	2.95%
Santa Barbara School District Admin.	1,692	3.14%	1,708	3.36%
Raytheon/ E-Systems	1,633	3.03%	1,700	3.34%
Sansum Medical Foundation Clinic	1,100	2.04%	1,100	2.16%
City of Santa Barbara	1,000	1.86%	1,042	2.05%
Santa Barbara Bank & Trust	894	1.66%	968	1.90%
US Postal Service	830	1.54%	1,091	2.14%
Ten largest companies or organizations	<u>25,742</u>	<u>47.76%</u>	<u>24,064</u>	<u>47.28%</u>

Source: Santa Barbara Chamber of Commerce

**Redevelopment Agency of the City of Santa Barbara
Full-time Equivalent Employees by Function
Last Ten Fiscal Years**

None

Redevelopment Agency of the City of Santa Barbara
Operating Indicators by Function
Last Four Fiscal Years

<u>Function</u>	<u>Fiscal Year 2006</u>		<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>		<u>Fiscal Year 2009</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
General government								
Number and amount of grants issued to local nonprofit agencies	4	\$381,072	9	\$623,024	9	\$971,104	7	\$194,880
Housing								
Number and amount of loans or grants issued to nonprofit housing developers for construction of low income rental units	3	\$4,176,703	3	\$4,822,408	1	\$4,880,762	4	\$329,678
Capital								
Number and amount of grants issued to nonprofit housing developers for construction of low income senior housing or other communtiy construction	1	\$7,054,614	1	\$3,000,000	1	\$60,000	1	\$404,000

Source: Redevelopment Agency of the City of Santa Barbara

**Redevelopment Agency of the City of Santa Barbara
Capital Asset Statistics by Function
Last Four Fiscal Years**

<u>Function</u>	<u>Fiscal Year 2006</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2009</u>
General government				
Number of Redevelopment Agency-owned property parcels	49	51	55	54
Total combined square footage	1,719,748	1,464,052	1,772,583	1,582,099

Source: Redevelopment Agency of the City of Santa Barbara





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
of the Redevelopment Agency of the City of Santa Barbara
Santa Barbara, California

We have audited the basic financial statements of the Redevelopment Agency of the City of Santa Barbara (Agency), a component unit of the City of Santa Barbara, California (City) as of and for the year ended June 30, 2009 and have issued our report thereon dated December 3, 2009. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's basic financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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To the Board of Directors
of the Redevelopment Agency of the City of Santa Barbara
Santa Barbara, California
Page 2

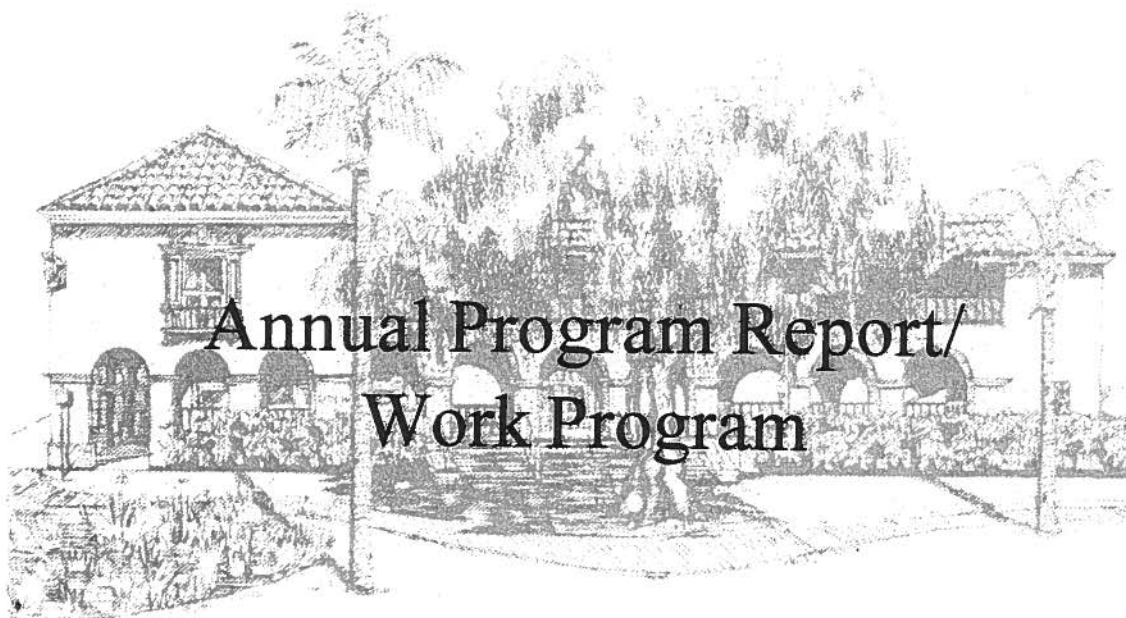
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free of material misstatements, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Agency Board, management, and the California State Controller's office. However, this report is a matter of public record and its distribution is not limited.

Capricci & Carson

Irvine, California
December 3, 2009



**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2009
(NOT COVERED IN AUDITOR’S REPORT)**

INTRODUCTION

This report, covering Fiscal Year ending June 30, 2009, was prepared with the most recent guidelines issued by the California Department of Housing and Community Development. This report includes a general narrative that describes the Agency's activities during Fiscal Year 2009.

CENTRAL CITY REDEVELOPMENT PROJECT AREA

FIRE STATION #1 RENOVATION (2003A BOND)

Fire Station #1 is located at 121 West Carrillo Street in the downtown area of Santa Barbara. Project construction began in June 2008, and is scheduled to be complete by September 2009. Fire Station #1 was determined to be structurally and functionally inadequate, undersized for the current needs of the department, containing dilapidated building systems, and not current with certain Building Code or Americans with Disabilities Act (ADA) requirements. The remodel will include a thorough renovation of the interior of the fire station including a seismic retrofit, an extensive remodel of the second floor crew's quarters, partial remodel of the first floor office area, and replacement of all gas, water, sewer and electrical services. Highlights of the Project include an emergency generator, structural caissons and steel moment frame connection modifications, concrete shear walls, tile roofing, LEED certified building materials, elevator, windows, kitchen, ADA-compliant restrooms, HVAC (heating, ventilating and air conditioning), hazardous material abatement, electrical, plumbing, and temporary trailer accommodations.

The Fire Station No. 1 Remodel Project was included in the Redevelopment Agency's 2003 Tax Allocation Bond issuance at a funding level of \$3.3 million. When a Feasibility Study indicated a total project cost of \$8.5 million, the project's scope was reduced to focus on the structural adequacy and living conditions in Fire Station #1 and to reduce the funding gap. An additional \$1 million from the same fund was appropriated in the Redevelopment Agency's Fiscal Year 2007 budget. On July 24, 2007, Council and the RDA Board received a status report authorized by the Public Works Director to execute a contract for final design, and approved a funding strategy that included an additional appropriation of \$1.26 million from RDA's Project Contingency Account. Another \$1,075,614 was appropriated at the time of the awarding of the construction contracts, bringing the total allocation to \$6.7 million.

At the April 22, 2008 Council and Redevelopment Agency meeting, McGillivray Construction, Incorporated was awarded the construction contract in their low bid amount of \$4,070,559. Kruger Bensen Ziemer Architects, Incorporated were awarded the construction support contract in the amount of \$200,800 with Leadership in Energy and Environmental Design (LEED) providing administrative services. AG Mechanical, Incorporated (AG Mechanical), was awarded a contract to provide Enhanced LEED Commissioning in the amount of \$72,800. The Enhanced LEED Commissioning is an independent third party review of the LEED process to ensure the project objectives meet the goals of the United States Green Building Council. A purchase order for materials testing and special inspection services was issued to Pacific Materials in the amount of \$33,100.

On May 19, 2009, the Agency Board approved an additional \$260,400 for change orders: a vehicle exhaust system, replacement of overhead doors. Fire personnel were able to move into the upstairs on June 1, 2009. The total construction cost is \$4,737,559. Construction is expected to be complete in October 2009. The total project cost is \$6,974,209.

FIRE STATION EMERGENCY OPERATIONS CENTER (311 CAPITAL)

The City currently has an EOC at the Police Department headquarters; however, the size (880 square feet) of the facility is insufficient for coordination of a large disaster as has been witnessed via two major wildfires over the past year. The current plan for the project has many of the essential infrastructure elements and characteristics for an EOC; such as, an emergency generator, an electronic communication hub, sufficient operating square footage for EOC staff, and a centralized location at the Fire Station #1 complex. In addition, the facility meets the seismic occupancy requirements as an "Essential Facility". Relocating the EOC to Fire Station No. 1 will provide a 1,650 square-foot space and can be configured to be utilized as a dual purpose classroom and EOC. The room has been designed to accommodate 42 occupants in a multitude of configurations, based on need. The design incorporates the use of flexible lighting options, visual display boards, telecommunications, and off-the-shelf audio and video equipment. On February 29, 2009, the Agency Board authorized the expenditure of \$303,595 from the RDA's Fire Station No. 1 Emergency Operation Center (EOC) Account to fund the

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2009
(NOT COVERED IN AUDITOR’S REPORT)

construction of an EOC as part of the Fire Station No. 1 Seismic Renovation Project. The breakdown of the expenditures is \$260,000 for construction and \$43,595 for equipment and services to complete the EOC.

CARRILLO-CHAPALA MIXED USE PROJECT (2003A BOND)

The Agency and the Metropolitan Transit District had been working to develop property on the 1000 block of Chapala Street. The project has fallen victim to the economic recession with the MTD removing themselves from further discussions about the project due to funding issues. The Agency had allocated \$2,000,000 towards this effort that will likely be reprogrammed for other Agency capital projects.

WEST DOWNTOWN IMPROVEMENT PROGRAM (2003A BOND)

The West Downtown area is that portion of the Central City Redevelopment Project area bordered by Carrillo Street on the north, Highway 101 on the west and south, and Chapala Street on the east.

The project scope was developed by the City’s Public Works Engineering Division and Agency Staff with a primary focus on the Anapamu Street and Ortega Street pedestrian corridor. The scope of work includes landscape design that creates a consistent theme and walkable corridors between the Westside and downtown. The top priorities of the project include pedestrian-oriented street lighting, sidewalk improvements including bulbouts at intersections, and landscaping. The Agency has allocated \$3.75 million from its 2003A bond proceeds for this program. The approval of the construction contracts will come before the Agency Board in July 2009. Construction will begin in September and last approximately 5 months.

WESTSIDE CENTER PARK IMPROVEMENTS (2003A BOND)

The Westside Park, located adjacent to the 101 freeway, is an element of the West Downtown Improvement Program. Improvements to this heavily used park will include new landscaping, fencing, and a re-orientation of the park facilities to better serve the local neighborhood. This project is funded at a level of \$270,887 as part of the West Downtown Improvement Program and is scheduled to begin in the fall of 2009.

PLAZA VERA CRUZ (2003A BOND)

Plaza Vera Cruz became the City’s first playground in 1908. In 2000, the Agency Board appropriated \$78,000 to complete basic upgrades to the park. The project scope was expanded January 2005 to include infrastructure improvements, and was funded at a level of \$340,000. Features of the new design include ADA-compliant pathways and enhancements to park lighting, landscaping, seating and other amenities. Construction for this project began in April 2008 and was completed in early 2010.

EL JARDIN DE LAS GRANADAS (2003A BOND)

The Redevelopment Agency owns the parcel adjacent to the Casas Las Granadas Workforce Housing project and the Granada Garage. The park design was developed by Katie O’Reilly Roger and Peikert Group Architects, who also designed the pedestrian walkway and HVAC relocation beside the nearby Coffee Cat building. The project included a new ADA accessibility ramp to Casas Las Granadas, small lawn areas terraced with low sandstone walls, installation bases for temporary public art, coast live oak trees, new lighting, and drought tolerant, irrigated plantings. Currently, Sullivan-Goss, a nearby art gallery, have a temporary exhibit of four metal sculptures. In the future, the County Arts Commission will curate other temporary exhibits as part of their Art in Public Places program. A ribbon cutting ceremony took place on February 5, 2009 upon the completion of the project.

COFFEE CAT PEDESTRIAN IMPROVEMENTS (CAPITAL FUNDS)

In order to provide a wider paseo linking the park adjacent to the Granada Garage and sidewalks along the frontage of the Granada housing project and the sidewalk connecting to the Anapamu sidewalk, it was necessary to remove the air conditioning units which service the adjacent Coffee Cat Building. These three A/C units were relocated to increase the width of the paseo from 7 feet to 12 feet and make for an improved pedestrian passageway. Other improvements associated with the relocation of the A/C units included new paving and landscaping next to the Coffee Cat Building, an enclosure for the A/C units, and relocation of associated conduit, and drainage improvements. The projects costs came to \$129,930 though the Agency had allocated \$150,000. The project construction timeline coincided with the El Jardin Las Granadas project.

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
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CARRILLO RECREATION CENTER (2001A & 2003A BOND)

This three-story 20,000 sq. ft. structure was built in 1913 and needs to be brought up to current performance standards, including seismic upgrades, Americans with Disabilities Act (ADA) compliance, and extending the useful life of the building’s core systems.

In April 2008, the Agency Board awarded the final design contract to KBZ for \$496,526. The project addresses seismic issues noted above and improves ADA access by adding an elevator and two lifts; one of which will provide access to the stage area. The current restrooms will be rebuilt to comply with ADA requirements. The project also addresses the building’s HVAC and electrical systems. It provides an improved office configuration and an additional dance studio for better functionality and service to the community. The finishes for the building will reflect the historical period and many of the original architectural features will be restored. The landscaping will be completed around the building and a portion of the power demand of the center will be supplied by installing solar panels on the roof of the gymnasium. At this time, the Agency Board also appropriated an additional \$3.2 million as the project scope had increased to address serious seismic deficiencies. The total project cost estimate is \$6.7 million. The construction contract is expected to be awarded in September 2009 with construction lasting for nine months.

HISTORIC RAILCAR (2003A BOND)

In 2001, Redevelopment Agency staff was contacted by representatives from the California Department of Transportation (CalTrans) Rail Program regarding possible Federal Transportation Enhancement Activities (TEA) funding for improvements at the Historic Rail Spur at the Santa Barbara Railroad Station. CalTrans indicated that up to \$350,000 could be provided (with an Agency match of up to \$46,000) for a historic preservation project. It was determined that installation of a vintage railroad car for static display at the rail spur would likely fit into the funding criteria and might be favorably considered for funding through their TEA Awards program. The Agency Board allocated the \$46,000 for this project at the time the 2003A Bond was issued. The State approved a \$350,000 reimbursable grant for the project in 2005. In 2006, a 1914 Pullman built heavyweight coach, rebuilt circa 1929 as the Southern Pacific Business Car Santa Barbara, was found to be in the possession of Fillmore & Western Railway Company in Fillmore, California. Given the railcar’s name and location, it is speculated that the car was likely to have traveled through Santa Barbara. The Redevelopment Agency contracted with Fillmore & Western to sell, restore, transport the railcar to the Santa Barbara Railroad Station and install the railcar on the existing historic rail spur. Since the railcar is on static display with no entry allowed, the interior only underwent moderate renovation. The restoration of the railroad car was completed in May 2009 and installed on June 1, 2009. Security systems will be completed in the first months of Fiscal Year 2010. Total project cost, including preliminary planning, appraisal and project management is estimated to be \$399,981 with \$85,037 provided by the Agency and the balance funded through the CALTRANS grant.

MISSION CREEK FLOOD CONTROL ENHANCEMENT (2003A BOND)

The Redevelopment Agency appropriated \$2,500,000 at the time of the issuance of the 2003A bond for this enhancement project. These funds augment the Army Corps of Engineers-funded flood control project for Mission Creek which will widen and rehabilitate the creek between Canon Perdido and Cabrillo Boulevard. Agency funds are designated to be used for enhancement to benefit the Project Area. Enhancements could include acquisition of property for creekside open space and pocket parks, landscaping, aesthetic treatments of historic bridges and pedestrian paths. Two properties at Bath and Ortega Streets adjacent to the creek were identified for acquisition and have been purchased by the Redevelopment Agency for a total of \$1,120,000. Following completion of the Mission Creek Flood Control Project, the properties will be developed as a pocket park for the West Downtown neighborhood and also serve as creek open space. The Parks and Recreation Department are the lead for the future park design.

SPENCER ADAMS PARKING LOT IMPROVEMENTS (2003A BOND)

This parking facility serves the heavily-used Spencer Adams Lawn Bowls and needed to be brought up to City standards. Improvements included additional landscaping and pedestrian-oriented improvements that will benefit the users of the Lawn Bowls, Club, the Louise Lowry Davis Senior Center, and the public. The project was led by the City’s Parks and Recreation Department with the construction contract being awarded to Granite Construction. Construction began in March and was completed in May 2009. Of the total project costs, the Redevelopment Agency provided \$186,000, of which \$109,000 was expended.

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POLICE DEPARTMENT RENOVATION (CAPITAL FUNDS)

A total of \$343,000 has been appropriated for the design and engineering of various improvements at the Police Headquarters. The current headquarters are in serious need of rehabilitation and renovation. The heating, ventilation and air-conditioning system alone is made up of 10 different systems which result in significant energy loss and high utility bills. The improvements will be focused on the core systems of the building and the locker room areas and will result in significant increases in energy efficiency and utility bill reductions. The Agency Board voted to increase the project funding, based on the whole building’s heating and cooling needs, by \$7,575,000.

CULTURAL ACTIVITIES

PLAZA DE LA GUERRA INFRASTRUCTURE IMPROVEMENTS (2003A BOND)

In 1853, with concern rising for the preservation of open spaces for the use of the general public, the Common Council in the newly formed City of Santa Barbara passed an Ordinance designating Plaza de la Guerra to be a City Square. Historically, Plaza de la Plaza has served as the City’s cultural center. Since 1925, when the City Hall building was removed from the Plaza lawn and construction of the current City Hall building was completed, there have been periodic efforts to redesign and improve the Plaza.

The design firm of Campbell and Campbell was selected and received Agency approval for their design services contract for \$86,665 in June 2005. Campbell and Campbell have teamed with Penfield and Smith for civil engineering support; John Maloney, P.E. for electrical engineering; and Clearview Studios for graphic concepts. The Agency has allocated \$1 million of the 2003A Tax Allocation Bond proceeds toward design and construction. At the Agency Board meeting December 16, 2008, the Board approved an additional allocation of \$1.4 million for this proposed project. The project scope and design contract is expected to go to City Council for approval in November 2009.

COMMUNITY ARTS WORKSHOP (2003A BOND)

In response to the need for rehearsal space, production set construction space, and general performance space for art groups in the community; the Agency Board allocated \$1,000,000 in 2001 to fund a Community Arts Workshop at a to-be-determined site. In 2005, Agency-owned property at 631 Garden Street, the site of the former Community Environmental Council recycling center, was identified as a potential location for such a workshop. The Agency is currently negotiating a long-term lease with Summer Solstice Celebration to manage a future workshop at this location. A local architectural firm, Poirier and David Architects, have produced a preliminary design and in June 2007 were awarded a final design contract for \$95,650. Poirier and David’s preliminary analysis concludes that the proposed improvements, as currently designed, would cost approximately \$1.29 million. This estimate assumes that extensive structural and aesthetic improvements would be made to the buildings, and significant site work would be completed, including ADA-accessible pathways, new landscaping and irrigation, and installation of mechanically-operated decorative vehicle gates at the two entrances to the property. The project design has been approved by the Historic Landmarks Commission. Plans have been submitted to the Building and Safety Division for review. TRAK Environmental is scheduled to perform soil drilling and investigation due to the presence of hazardous materials under the site. Development plans for the project at this site will be based on TRAK’s report of findings.

COMMUNITY CULTURAL GRANTS FOR CAPITAL PROJECTS

EL PRESIDIO NORTHWEST CORNER - FINAL PHASE (GENERAL)

The Santa Barbara Trust for Historic Preservation has begun the final phase of the Northwest Corner of the El Presidio Restoration Project. The Agency Board had granted funds for Phase I and II which were comprised of four ADA-compliant unisex public restrooms and the construction of a new two-room adobe Visitor Center and a new ADA-compliant access ramp at the park’s Canon Perdido Street entrance. The Visitor Center provides additional museum space for the interpretation of the Native American, Spanish Mexican, American, Chinese, and Japanese communities of Santa Barbara. The 2007 grant was designated for the reconstruction of two additional adobe rooms, the associated adobe yard walls, and portions of the western and northern defense wall, a portion of which will be represented by a stone inlay across Canon Perdido Street to El Cuartel. The construction contract was award to Channel Coast Construction in December 2007. By March 2008, site work had begun and by April 2008, the adobe walls were raised. Giant cane was striped for ceiling material. Pine logs

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
ANNUAL WORK PROGRAM REPORT – FISCAL YEAR 2009
(NOT COVERED IN AUDITOR'S REPORT)**

were hand-adzed for beams and door headers and jambs. Handmade roof tiles were used on the roof. The adobe was whitewashed by volunteers and Trust staff. Of the original \$200,000 grant, \$16,610 was used for architectural and engineering services provided by Heritage Architecture and Planning, to create construction documents for the project. Additional \$2,500 was by Heritage to make requested revisions to those construction documents. The \$180,890 remaining was used to complete the project \$700,000 project.

STATE OF THE ART GALLERY (GENERAL)

Since the first phase of the State Street Sidewalks Replacement project incorporated art pads for public art display, the Agency has been awarding annual grants and this year awarded \$40,000 for the procurement, installation and deinstallation of art along the main thoroughfare known as the State of the Art Gallery. The County Arts Commission displayed 10 regional sculptors' works from September through November 2008.

HISTORIC/CULTURAL DISTRICT PROMOTION (GENERAL)

The Downtown Organization has received grant funds to run a Cultural and Historic District campaign. The campaign includes a map/brochure, advertisement regarding downtown cultural events, spots on local radio stations, and advertisements in local magazines. The Downtown Organization has worked closely with the County Arts Commission to coordinate cultural promotions. In Fiscal Year 2009, the Agency reimbursed the Downtown Organization in the amount of \$82,000. The cultural promotions will assist the project area by increasing activity in the downtown core.

DOWNTOWN ORGANIZATION - 1ST THURSDAY (GENERAL)

In February 2007, the Downtown Organization initiated *1st Thursday*, a free cultural program funded by the Downtown Organization membership dues with a mission to showcase downtown Santa Barbara as a destination for art, culture, and its historical environment. On the first Thursday evening of every month, the downtown comes alive with gallery openings, street performances, lectures, theatrical previews, concerts, and tours as well as retail and restaurant participation. In the tradition of the City's and the Downtown Organization's collaborative effort to spotlight the cultural district, the Agency granted \$25,000 for the *1st Thursday* event for Fiscal Year 2009. The funds were used to produce brochures and maps, posters and signage and easels and display materials. All of the funding has been disbursed.

WATERFRONT AREA

EAST CABRILLO BOULEVARD SIDEWALK REPLACEMENT (2001A BOND)

This Agency project replaces existing sidewalks from Stearns Wharf to Milpas Street. Cabrillo Boulevard, considered one of the City's more scenic routes, is the primary thoroughfare along the City's beachfront east of State Street and is flanked by tourism-related businesses, hotels and recreational public parks. On weekends, the sidewalk is heavily used by visitors to the Sunday Arts and Crafts show. The project received Final Approval on September 19, 2007 from the Historic Landmarks Commission. At the March 25, 2008 Council and Agency Board meeting, Lash Construction was awarded the construction contract with the low bid amount of \$1,071,523. Penfield & Smith was awarded a construction support services contract in the amount of \$15,500. Pacific Materials, Inc. was issued a purchase order in the amount of \$6,000 for material testing services. Construction began in April 2008 and was completed by the end of August. Although \$3 million was allocated for the project, the total project costs were \$1.5 million with the remaining balance being reallocated to other Agency projects.

WEST BEACH PEDESTRIAN IMPROVEMENTS (2003A BOND)

The goal of the West Beach Pedestrian Improvement Project is to enhance the pedestrian linkage between Stearns Wharf and the Harbor. In March 2006, the Agency approved the conceptual design of Phase I of the project. Phase I and II were combined and consist of a number of capital improvements from Stearns Wharf to Los Baños and Marina 4. These improvements include: construction of enhanced pedestrian crossings and sidewalk extensions along Cabrillo Boulevard at Castillo Street, Bath Street, Ambassador Park and Chapala Street; at these same intersections, design and construction of pedestrian plazas along the beach-side of Cabrillo Boulevard with enhanced paving, new landscaping and an art and storytelling component that conveys the special character of the Waterfront area; replacement of the existing sidewalk on the south-side of Cabrillo Boulevard from the wharf to Castillo Street; an expanded walkway and new lighting between Los Baños and the wading pool; and improved signage to assist wayfinding and safety. The project received final approval by the

REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
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(NOT COVERED IN AUDITOR’S REPORT)

Architectural Board of Review on January 6, 2009. The Historic Landmarks Commission approved the project on January 7, 2009. On January 27, 2009, Richard Irvine and Raphael Perea de la Cabada were awarded a contract in the amount of \$164,500 for design, fabrication and construction consulting of the public art portion of the project. On May 12, 2009, Elevation General Engineering was awarded the construction contract in the amount of \$1,895,142, Fugro West was awarded the materials testing purchase order for \$13,500 and Penfield and Smith was awarded the construction support contract for \$30,000. As part of the Fiscal Year 2007 budget, the RDA appropriated an additional \$1.25 million to the existing \$2 million appropriation, and an additional \$250,000 as part of the Fiscal Year 2009 budget, for a total funding amount \$3.5 million. Construction began in early June 2009, and is scheduled to be completed in late November 2009.

WATERFRONT PROPERTY – 125 CACIQUE STREET (2003A BOND)

In 2001, the Redevelopment Agency purchased property at 125 Cacique Street in the waterfront area comprised of 4 parcels totaling 2.404 acres. The Agency has evaluated the site for its best use. URS Corporation provided an update of the biological resources. MacFarlane Archaeology Associates have provided a Phase 1 archaeological resource survey. The firm, Poirier and David Architects, prepared a Land Use Feasibility Analysis including identifying all the constraints that effect the development of this property. From that report, the City was able to establish criteria for development of the site. A Request for Proposals was released on June 18, 2008. Proposals were due on August 21, 2008. Proposals were received but the economic downturn caused the project to be put on hold.

SANTA BARBARA MARITIME MUSEUM (GENERAL)

The Agency funded a matching grant of \$500,000 to the Santa Barbara Maritime Museum for the design, construction, and implementation of four interactive educational exhibits at the Maritime Museum (Survival at Sea, Navigation and Piloting, Surfing, and Channel Islands). The Santa Barbara Maritime Museum was able to verify matching funds in December 2003. Progress has been made on the exhibits and, to date, the museum has completed the Survival at Sea exhibit which includes Safety at Sea and Navigation and Piloting exhibits and the exhibit was opened in November 2005. The Surfing exhibit was completed early in 2009. Final payments have been made the project is complete.

HELENA STREET PARKING LOT (2003A BOND)

The project is located at the Agency-owned parcel at 217 Helena Avenue. The Agency had previously agreed to construct the parking lot as part of the adjacent youth hostel project being developed by Fess Parker. The parking lot was funded in the RDA Capital Program. However, both the obligation to construct the parking lot and funding has subsequently been eliminated. Development, however, of a public parking lot at this location could provide much-needed parking spaces for the immediate area. Staff estimates the development of a parking lot on the Helena site to cost approximately \$500,000 for design, engineering, and construction. A Request for Proposals for final parking lot design is scheduled to be issued early in Fiscal Year 2010.

UNDERGROUND TANK ABATEMENT (CAPITAL FUNDS)

In 1994, the Redevelopment Agency purchased a 37,000 square foot vacant parcel located at 12 East Montecito Street. In December 1998, the property was divided into three parcels, two of which, encompassing approximately 24,000 square feet, were purchased by a partnership controlled by the Fess Parker, Jr. Family Trust for the construction of a 100 bed youth hostel. The hostel is a condition of approval for the development of a 150 room hotel at Cabrillo Boulevard and Calle Cesar Chavez. The entire property was originally bought by the Agency to facilitate the hostel and to build a public parking lot. The Agency and Parker Family Trust entered into a Disposition and Development Agreement (DDA) for the youth hostel at 12 East Montecito. The DDA provides that the Youth Hostel project may take access across the Agency property at 217 Helena Avenue. It also allows the Youth Hostel project to construct a trash enclosure on the Agency-owned property.

Earlier this year, during the initial stages of grading for the Youth Hostel trash enclosure, an Underground Storage Tank was discovered on the Agency-owned parcel. To comply with State and County regulations, the Environmental Services Division of the Finance Department was asked to take the lead to investigate and remediate the site, in accordance with, and oversight from, the Santa Barbara County Fire Department, Fire Prevention Division. The ultimate cost to remove the hazardous materials substantially exceeded the original cost estimate and contract amount. The original workplan estimated that the concrete tank was 640 cubic feet (20 feet long, 8 feet wide and 4 feet deep). The actual size of the tank ended up being over 4 times larger at 2,800 cubic feet (33.5 feet long, 12.5 feet wide and 7 feet deep). The soil samples showed elevated concentrations of lead and

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total petroleum hydrocarbons. Upon excavation, it was discovered that the tank actually extended beyond the property line, past the sidewalk and into the street. As a result, the additional excavation required additional permits, sidewalk removal and replacement, street removal and replacement and traffic controls. Once the tank was removed, considerable staining was observed on all of the walls of the remaining tank pit. Given that all of the equipment was mobilized and on-site and that the Youth Hostel construction was underway, the excavation was done immediately. In the near future, County Fire is likely to mandate some form of monitoring program for the site, which could include: installation of groundwater monitoring wells, quarterly groundwater monitoring, and possible delineation of the remaining contamination. Cleanup costs to date are \$306, 930.

OTHER ACTIVITIES

***INTEGRATED PEST MANAGEMENT – SUSTAINABLE PARK IMPROVEMENTS
(2001A AND 2003A BONDS)***

In February 2006, the City Council approved the Pesticide Hazard and Exposure Reduction (PHAER) zone model for the City of Santa Barbara. The Redevelopment Agency budgeted \$156,000 in Fiscal Year 2007 for the Parks and Recreation Department for proposed improvements that will significantly expedite these improvements in the Redevelopment Project Area and facilitate Parks and Recreation’s efforts to maintain City Parks and City properties in a “green” manner. Approximately \$136,000 is earmarked for integrated pest management–sustainable improvements and \$20,000 has been designated for signage geared towards educating the public about the PHAER zone model and the City’s green and sustainable efforts. To date, approximately \$62,883 has been expended towards these improvements.

TRANSPORTATION MANAGEMENT PROGRAM (GENERAL)

The Agency contributed \$300,000 this fiscal year for the operation of the City's Transportation Management Program (TMP). The TMP is a comprehensive traffic and parking management program that combines disincentives for single occupant automobile use with incentives for alternative modes of transportation. This program constitutes required mitigation for traffic impacts from private development and Agency downtown revitalization activities. Two commuter parking lots (Cota/Santa Barbara Streets and Carrillo/Castillo Streets) allow employees in the area to park on the fringes of the central business district and ride shuttle buses to workplaces. The annual contribution is used to underwrite the downtown and cross-town shuttle buses.

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AGENCY’S AFFORDABLE HOUSING PROGRAM

512-518 BATH STREET (BRADLEY PROPERTY)

In June, 2008, the Agency provided the City’s Housing Authority with a loan of \$4,800,000 for the acquisition of property at 512-518 Bath Street. The Housing Authority is land-banking the site for future affordable housing development – a supportive housing project for the homeless and downtown workers of approximately 50 units. As the property abuts Mission Creek, the project would also include a creek restoration component. Preliminary plans are being developed, and an application for tax credits is expected to be submitted next year. Until the new construction is ready to commence (early 2011), the Housing Authority will operate an existing 10-unit residential structure on the site as affordable rental housing.

617 GARDEN STREET (BUILDING HOPE)

The Mental Health Association in Santa Barbara County (MHA) has nearly completed construction of a large, mixed-use project directly across the street from the Agency’s Garden Street offices. The project provides 50 units of affordable rental housing for a combination of low income MHA clients and downtown workers and one on-site manager’s unit. The project also features administrative office space and program space for MHA and office space for government or non-profit use. The Agency contributed land (a former parking lot for employees) to the project and has disbursed the \$5.1 million it committed to the project, in addition to the \$385,000 in state HELP funds the Agency spent for predevelopment. The project’s residential units are completed and fully occupied; the subterranean parking and office space areas are expected to be completed by the end of calendar year 2009.

HOUSING REHABILITATION LOAN PROGRAM (HRLP)

Loans and grants totaling over \$750,000 were provided to 4 low income multifamily rental projects through the City’s Housing Rehabilitation Loan Program (HRLP). These loans and grants were used for substantial renovations in order to extend the useful life of these important projects.

Of the \$750,000 loaned and granted, \$300,000 was from Redevelopment Agency housing funds, \$250,000 was from federal Community Development Block Grant (CDBG) funds and \$200,000 was from federal HOME funds. The projects receiving HRLP funding were: the SHIFCO senior housing project (\$200,000 in HOME funding, 107 units); the Victoria Hotel (\$50,000 in RDA funding, 28 units for low-income downtown workers); Sanctuary House (\$250,000 in RDA funding, 8 units for mentally disabled clients); and 633 De la Vina Street (\$250,000 in CDBG funding, 8 units).

Each of these rental projects is owned and operated by a non-profit housing provider such as the City Housing Authority, Peoples’ Self-Help Housing Corporation, and Sanctuary Psychiatric. These projects all are subject to long-term affordability restrictions that assure that the units will continue to be affordable to their targeted population for many years to come.

4200 CALLE REAL (ST. VINCENT’S GARDENS & VILLA CARIDAD)

Mercy Housing California, a State-wide nonprofit housing developer, completed two low income rental housing projects on the site of the former St. Vincent’s School last year, a 19-acre site recently annexed by the City near Highway 154 and Calle Real. One is a 75-unit project for families (St Vincent’s Gardens), and the other is a 95-unit project for seniors (Villa Caridad). The Agency spent a total of \$17.4 million on the two projects, and the County of Santa Barbara contributed \$4.4 million to the family project. Other funding includes HUD Section 202 funds for the senior project, federal low income housing tax credits for the family project, and funds contributed by the Daughters of Charity.

The two projects represent the largest affordable housing site ever developed in Santa Barbara County and demonstrate how affordable housing can be produced on a regional inter-governmental basis. Both projects are now occupied. Off-site public improvements (new bus shelter, traffic signal, and road and sidewalk improvements) were completed in 2009.

21 EAST ANAPAMU STREET (CASAS LAS GRANADAS)

Construction was completed last year on this 12-unit project for downtown workers, which is now fully occupied. The Agency selected Peoples’ Self-Help Housing Corporation (Peoples’) through a Request for Proposals process to develop this affordable housing project on Agency-owned land directly adjacent to the new

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Granada Garage parking structure. Peoples’ is a large nonprofit housing organization based in San Luis Obispo (with its Santa Barbara office located on the ground floor of the nearby Victoria Hotel – a single-room-occupancy hotel Peoples’ preserved for the homeless).

For Casas las Granadas, the Agency leased the site to Peoples’ at a nominal rate and provided a \$60,000 predevelopment grant. Agency staff secured City HOME funds for the project in the form of a \$90,000 predevelopment loan and \$1,581,000 permanent loan. The Agency also paid for extensive contaminated soil removal on site. Numerous physical improvements to adjacent public open space and walkways were completed in 2009 (see description of Jardin las Granadas above).

618 SAN PASCUAL (HABITAT FOR HUMANITY)

Habitat plans to construct 4 new low income ownership housing units using Habitat’s well-tested formula that includes donated materials and technical assistance from the local development community, volunteer labor, future homeowners’ labor (sweat equity), and grant funds and donations from a wide range of foundations and local churches. The Agency provided \$400,000 in state HELP funds for acquisition, and Agency staff secured \$660,000 in City HOME funds for construction. Plans have been approved, and Habitat is now seeking a building permit. Work is expected to start in Fiscal Year 2010.

416-424 COTA STREET / 517 OLIVE STREET (ARTISAN COURT)

The Agency provided the City’s Housing Authority with a loan of \$2,000,000 for the acquisition of property at 416-424 East Cota Street and 517 Olive Street that is currently occupied by Haagen Printing. The Housing Authority is land-banking the site for future affordable housing development. The site is relatively large (40,000 sq ft) and is improved with two industrial buildings (totaling 20,850 square feet). The completion of predevelopment is expected to coincide with termination of two commercial leases on the property. The property is zoned Commercial Manufacturing (CM) which allows for residential development to R-4 standards under the City’s pyramid zoning.

Plans have been approved for a supportive housing project of 55 units that will house low income downtown workers, aging foster youth, and the homeless. The Housing Authority has submitted an application for tax credits in the amount of \$11.5 million and has requested an additional \$3.2 million from the Agency and City for the project. Construction is expected to start in Fiscal Year 2010.

421-425 EAST COTA STREET (MOM’S PROPERTY)

In Fiscal Year 2000, the Agency provided Transition House with a \$320,000 loan for the acquisition of 421-425 East Cota Street, which consists of two mixed-use buildings located adjacent to their homeless shelter on East Ortega Street. In addition, Transition House raised over \$1 million in private donations for this acquisition as part of major effort to relocate and expand its office and program space, expand its shelter space, and create new affordable housing for its clientele. The building at 425 East Cota Street has eight residential units over ground floor commercial space. Transition House placed their clients in the residential units as vacancies arose and moved its office and program space from the shelter into the ground floor commercial space.

The building at 421 East Cota Street (it once housed the old Mom’s restaurant) has structural issues that limit development options. Transition House plans to demolish the structure, build 8 new affordable housing units over a ground-floor infant care center, rehabilitate the existing 8 apartments next door, and connect the two buildings. The Agency provided a \$120,000 predevelopment loan for the new construction. Transition House has submitted applications for tax credits (\$4.2 million) and state Supportive Housing Program funds (\$1 million) and has requested \$680,000 in HOME funds from the City. Construction is expected to start in 2010.

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INTRODUCTION

This report, covering the projected program year for the fiscal year ending June 30, 2010 was prepared in accordance with the most recent guidelines of the California Department of Housing and Community Development. The report includes a description of the work program for the 2010 Fiscal Year. Funds for these projects are contained in the Redevelopment Agency City of Santa Barbara budget for Fiscal Year 2010, including appropriations from prior year balances.

FISCAL YEAR 2010 WORK PROGRAM

HOUSING PROGRAMS FUND PROJECTS

Housing Revolving Fund: ***\$500,000***

Funds available for the development of affordable housing projects, including land-banking, site improvements, interim financing, rehabilitation, and new construction of multi- or single-family properties per State statute.

REDEVELOPMENT AGENCY GENERAL FUND PROJECTS

Funds have been appropriated in the Agency's General Fund (Fund 111) for the following projects in the approximate amounts shown (amounts include encumbered funds):

Property Management: ***\$201,375***

Miscellaneous improvements to Agency-owned properties and property management obligations.

Transportation Management Program Shuttle Bus Contract: ***\$300,000***

Funding contribution to shuttle program that mitigates traffic and parking impacts resulting from Agency development projects.

Hazardous Materials: ***\$186,236***

Funds to investigate, characterize and clean up toxic contaminants on Agency-owned properties. Funds are being used to mitigate groundwater contamination under Agency property at 631 Garden Street.

Downtown Organization Cultural Promotions 2009: ***\$98,592***

Funds used to reimburse the Downtown Organizations' efforts to promote the historic/cultural downtown area and maintain the economic and cultural vibrancy of the project area. This funding now covers the 1st Thursday event brochures.

Appropriated Operating Reserves: ***\$80,000***

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REDEVELOPMENT CAPITAL FUND PROJECTS

Integrated Pest Management – Sustainable Park Improvements: **\$9,511**

Funds for the Parks and Recreation Department to use for sustainable improvements that reduce the use of hazardous materials in City parks within the Central City Redevelopment Project area and for signage towards educating the public about this program.

Police Department Locker Room Upgrade: **\$7,525,483**

Funds for additional design services and construction of the upgrade of the Police Department’s locker room and electrical improvements, including a backup generator and a new HVAC system for the entire building. An additional \$7,575,000 was allocated in Fiscal Year 2009.

Opportunity Property Acquisition Fund: **\$366,000**

Funds for opportunity purchases of property in the Project Area. Properties would be used for public benefit development consistent with the Redevelopment Plan.

Redevelopment Project Contingency Account: **\$1,100,000**

Funds to be used to cover project cost overruns due to increases in construction costs during the period between project appropriation and project construction. Funding of \$35,000 was allocated in Fiscal Year 2009 for the Police Department Emergency Operations Center upgrades. Also in Fiscal Year 2009, the Agency allocated \$330,000 for removal and clean up of a previously undetected storage tank laying under the Agency-owned parcel on Helena Street and adjacent to the Youth Hostel being constructed by the Parker Family Trust. The final allocation in Fiscal Year 2009 was for \$4,730,575 for the Police Department Locker Room upgrades.

Housing Fund Contingency Account: **\$348,455**

Additional funds to be used for purpose of funding new, as yet unspecified, projects or for making up shortfalls in funding for approved but not constructed projects. In Fiscal Year 2009, \$1,200,000 was allocated to the Mental Health Building at 617 Garden Street.

Coffee Cat Pedestrian Improvements **\$17,367**

Funds allocated in Fiscal Year 2007 for reimbursement to Peoples’ Self-Help Housing Corporation for site improvements adjacent to the Casas Las Granadas affordable housing project including the relocation and replacement of nearby air conditioning equipment serving the building located at 1201 Anacapa Street and improvements to the adjacent open space. Current funding is the balance left upon completion of the project and will be used for any unforeseen remaining issues.

Fire Station Emergency Operations Center **\$202,064**

The City’s EOC will be relocated to the newly renovated Fire Station #1. Additional funding of \$304,000 was allocated in Fiscal Year 2009.

Fire Station #1 **\$377,482**

Although the renovation project was scaled back to principally address the structural inadequacies, there remained an initial funding gap of \$1,260,000 which was covered by an appropriation from the Redevelopment Project Contingency Fund in early in Fiscal Year 2008.

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SERIES 2001A TAX ALLOCATION BOND CAPITAL PROJECTS

East Cabrillo Boulevard Sidewalks

\$254,437

This Agency project replaced the existing sidewalks from Stearns Wharf to Milpas Street. Construction occurred during the summer months of 2008 and was completed in August. Any additional work needed after construction will be covered by this balance.

Mission Creek Flood Control at the Railroad Depot

\$1,964,701

Funds for Mission Creek Flood Control improvements at the Agency-owned Santa Barbara Railroad Station that will include new culverts.

Carrillo Recreation Center Restoration

\$1,000,000

Additional funds from this bond fund for the renovation of the City’s historic central city recreation center.

SERIES 2003A TAX ALLOCATION BONDS CAPITAL PROJECTS

Integrated Pest Management – Sustainable Park Improvements:

\$94,909

Funds for the Parks and Recreation Department to use for sustainable improvements that reduce the use of hazardous materials in City parks within the Central City Redevelopment Project area and for signage towards educating the public about this program. Parks components completed to date include: Cabrillo Ball Field, Los Baños Pool Area, Spencer Adams Lawn Bowl, West Beach and Garden-Cabrillo parking lots.

Mission Creek Flood Control at the Railroad Depot

\$535,299

Additional funds allocated for flood control work at the Agency-owned Santa Barbara Railroad Station.

Helena Street Parking Lot

\$499,798

Funds for the development of the Agency-owned parcel adjacent to the youth hostel being built by the Parker Family Trust. Additional parking in this area will be utilized by the proposed Children’s Museum to be developed on a nearby Agency-owned parcel next to the Railroad Depot on State Street.

Mission Creek Flood Control Enhancement:

\$759,142

Funds to augment the Army Corps of Engineers-funded flood control project for Mission Creek. Enhancements could include pocket parks, landscaping, aesthetic treatment of historic bridges and pedestrian paths. Two properties have been acquired for a future pocket park. Funds are currently being used for property management.

Fire Station #1 Remodel:

\$40,015

Funding for a thorough renovation of the interior of Fire Station #1. Renovation included the renovation and separate dormitory and bathrooms, seismic retrofit, upgrade windows, doors, lighting, security, and overall energy-efficiency of the building. The Agency provided additional funding of \$1 million in Fiscal Year 2007 budget and another \$1.26 million in Fiscal Year 2008. Construction is nearly complete.

West Beach Pedestrian Improvements:

\$2,565,901

Funds for sidewalk and landscape improvements from the Wharf to the Santa Barbara Harbor. The Agency provided additional funding of \$1.25 million in Fiscal Year 2007 budget and another \$250,000 in Fiscal Year 2009. Construction began in the summer of 2009 and is expected to be completed in late 2009.

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Carrillo/Chapala Mixed-Use Project:

\$1,882,256

Funding towards a Downtown Mixed-Use Project in a prime gateway site, incorporating public and private parking, housing, a new MTD transit center, and various commercial uses.

Plaza de la Guerra Infrastructure:

\$2,282,158

Funds for infrastructure improvements: new ADA ramps, replacement/upgrade of benches, trash/recycling receptacles, bike racks, newspaper racks, roadway redesign to function with lawn area in a safer manner. An additional \$1,400,000 was allocated in Fiscal Year 2009.

Visitor Center Condominium Purchase:

\$500,000

Funds for the purchase of Entrada Project condominium space prior to development agreement. Visitor Center to be leased by the Chamber of Commerce and to include public restrooms.

Lower State Street Sidewalks:

\$335,000

Funds for improvements to the 00 block of State Street to complement the Entrada Project development sidewalk improvements. An additional \$85,000 was allocated for the project in Fiscal Year 2009.

Anapamu Open Space Enhancement:

\$2,464

The open space area fronting Anapamu Street adjacent to the Casas Las Granadas Affordable Housing Project was developed with pedestrian improvements, landscaping and pads for sculpture display. Construction was completed in the spring of 2009. Remaining funds are for unanticipated work that is needed.

Waterfront Property Development:

\$1,460,000

These funds are to be used to fund future development of the Agency-owned property at 125 Calle Cesar Chavez. Agency staff contract for the design services of Poirier and David Architects to develop a conceptual analysis of site development potential.

Artist Workspace:

\$616,042

A long-term lease for a Community Arts Workshop at 631 Garden Street is being negotiated with Summer Solstice. In anticipation of successful lease negotiations, the design of the physical improvements is being developed under a final design contract with Poirier and David Architects. The project received Conceptual Design approval by the Historic Landmarks Committee in April 2007. A cost sharing agreement is being negotiated with Summer Solstice.

Historic Railroad Car Acquisition:

\$24,646

Funds for the acquisition and restoration of a vintage rail car for static display at the Railroad Depot on an historic rail spur adjacent to the Moreton Bay fig tree. Additional funds were allocated for the process and the Agency will be reimbursed for 81% through a CalTrans TEA grant. The restoration and installation of the railcar was completed in Fiscal Year 2009. Additional funds will be used for security cameras.

West Downtown Improvements:

\$3,143,825

Funding for a series of capital improvements, including two primary projects: the Anapamu and Ortega corridor improvements. Corridor improvements include upgrading pedestrian amenities such as sidewalk replacement where necessary (uplifted sidewalk sections due to tree roots, cracked and degraded sidewalk sections that cause trip hazards. etc.), enhanced crosswalks, bulb-outs, general landscaping improvements where appropriate, additional pedestrian-oriented lighting where appropriate. An additional

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\$500,000 was allocated for the project in Fiscal Year 2009. The construction contract is anticipated to be awarded in July 2009.

Westside Community Center Park Renovation:

\$216,066

Funds were appropriated from the West Downtown Improvement Program specifically for the use by the Parks Department to make improvements to area around the Westside Community Center to promote neighborhood use.

Spencer Adams Parking Lot and Site Improvements:

\$77,419

Funds to assist the Park and Recreation Department with various parking lot and site improvements at the lawn bowling center adjacent to the Louise Lowry Davis Center. Construction began in the spring of 2009 and is expected to be completed early Fiscal Year 2010.

Carrillo Recreation Center Restoration:

\$2,897,579

Funding for interior and exterior renovation of the historic Carrillo Recreation Center. Upgrades to electrical, plumbing, structural and numerous aesthetic improvements. Facility assessment has been completed. The architectural firm of Kruger Bensen Ziemer is in the final phase of the design.

Chase Palm Park Wisteria Arbor:

\$835,000

Funds allocated in the Fiscal Year 1999-2000 budget for the construction of a Wisteria Arbor at Chase Palm Park. Construction awaits the development of Fess Parker's Waterfront Hotel.

COMMUNITY GRANTS

Old City College Site Rehabilitation:

\$1,500,000

Grant funds to the Santa Barbara Trust for Historic Preservation for use in rehabilitation of the Alhecama Theatre to be leased to the Ensemble Theater and the rehabilitation of onsite buildings for use by the Trust for administrative offices. It is now anticipated that the Trust will seek to alter the grant to use \$500,000 for basic renovations to the Alhecama Theatre for the Ensemble Theater to use for at least one more season.

Sustainable Arts Study - 2008

\$8,500

The grant funds have been disbursed for the research portion of the study into providing a sustainable system of funding arts for at-risk community youth.. The Agency is awaiting the report.

State of the Art Gallery - 2008

\$8,976

Funding carried-over from the Fiscal Year 2008 public art installation along the main downtown thoroughfare. Regional artists were featured.

Santa Barbara Courthouse Legacy Foundation - 2008

\$25,000

Funds to be used in the restoration of the Spirit of the Ocean fountain on the façade of the historic downtown County Courthouse. The Courthouse has a major presence in the downtown drawing international media and tourists alike. The Legacy Foundation was granted an extension on the use of their grant due to delays in the permitting process.

